

LG Electronics

**Consolidated Interim Financial Statements
June 30, 2020 and 2019**

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Report on Review of Interim Financial Statements

(English Translation of a Report Originally Issued in Korean)

To the Shareholders and Board of Directors of
LG Electronics Inc.

Reviewed Financial Statements

We have reviewed the accompanying consolidated interim financial statements of LG Electronics Inc. and its subsidiaries (collectively referred to as the "Group"). These financial statements consist of the consolidated interim statement of financial position of the Group as at June 30, 2020, and the related consolidated interim statements of profit or loss and comprehensive income for the three-month and six-month periods ended June 30, 2020 and 2019, and consolidated interim statements of changes in equity and cash flows for the six-month periods ended June 30, 2020 and 2019, and a summary of significant accounting policies and other explanatory notes, expressed in Korean won.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated interim financial statements in accordance with International Financial Reporting Standards as adopted by the Republic of Korea ("Korean IFRS") 1034 *Interim Financial Reporting*, and for such internal control as management determines is necessary to enable the preparation of consolidated interim financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to issue a report on these consolidated interim financial statements based on our review.

We conducted our review in accordance with quarterly or semi-annual review standards established by the Securities and Futures Commission of the Republic of Korea. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Korean Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe the accompanying consolidated interim financial statements are not presented fairly, in all material respects, in accordance with Korean IFRS 1034 *Interim Financial Reporting*.

Emphasis of Matter

Without modifying our conclusion, we draw attention to Note 3 to these consolidated interim financial statements of the Group, which describes the uncertainty, relating to the impact of the spread of Coronavirus Disease-19 (“COVID-19”) on the Group’s productivity and ability to fulfill customer’s orders. This matter does not affect our conclusion.

Other Matters

We have audited the consolidated statement of financial position of the Group as at December 31, 2019, and the related consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, in accordance with Korean Standards on Auditing. We expressed an unqualified opinion on those financial statements, not presented herein, in our audit report dated March 16, 2020. The consolidated statement of financial position as at December 31, 2019, presented herein for comparative purposes, is consistent, in all material respects, with the above audited statement of financial position as at December 31, 2019.

Review standards and their application in practice vary among countries. The procedures and practices used in the Republic of Korea to review such financial statements may differ from those generally accepted and applied in other countries.

August 14, 2020
Seoul, Korea

This report is effective as at August 14, 2020, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying consolidated interim financial statements and notes thereto. Accordingly, the readers of the review report should understand that there is a possibility that the above review report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

LG Electronics
Consolidated Interim Statements of Financial Position
June 30, 2020 and December 31, 2019

<i>(in millions of Korean won)</i>	Notes	June 30, 2020 (Unaudited)	December 31, 2019
Assets			
Current assets			
Cash and cash equivalents	5,32	5,464,763	4,777,368
Deposits held by financial institutions	5,32	146,597	65,971
Trade receivables	5,6,32	5,668,097	6,360,288
Other receivables	5,6,32	557,519	639,150
Other financial assets	5,7,32	15,746	5,138
Inventories	8	6,034,737	5,863,418
Current tax assets		206,362	148,340
Contract assets	9	681,122	671,519
Other current assets		1,115,361	1,207,547
Assets held for sale	34	14,689	14,746
		<u>19,904,993</u>	<u>19,753,485</u>
Non-current assets			
Deposits held by financial institutions	5,32	38,885	39,368
Other receivables	5,6,32	441,037	437,957
Other financial assets	5,7,32	117,466	96,503
Property, plant and equipment	10	14,453,004	14,505,419
Intangible assets	10	2,876,083	2,691,972
Deferred tax assets		1,554,700	1,668,430
Investments in associates and joint ventures	11	4,259,346	4,544,521
Investment properties		383	291
Net defined benefit assets	14	17	8
Contract assets	9	215,721	205,976
Other non-current assets		908,520	915,945
		<u>24,865,162</u>	<u>25,106,390</u>
Total assets		<u>44,770,155</u>	<u>44,859,875</u>
Liabilities			
Current liabilities			
Trade payables	5,32	6,250,794	6,820,644
Borrowings	5,12,32	1,777,819	1,643,656
Lease liabilities	5,13,32	274,718	274,245
Other payables	5,32	2,760,665	3,318,784
Other financial liabilities	5,7,32	3,706	7,175
Current tax liabilities		283,103	172,756
Provisions	15	680,830	824,479
Contract liabilities	9	1,368,439	1,219,507
Other current liabilities		2,960,833	3,376,670
		<u>16,360,907</u>	<u>17,657,916</u>
Non-current liabilities			
Borrowings	5,12,32	8,849,369	8,843,682
Lease liabilities	5,13,32	533,029	497,179
Other payables	5,32	1,294	1,202
Other financial liabilities	5,7,32	156,907	107,973
Deferred tax liabilities		128,064	128,407
Net defined benefit liabilities	14	811,760	592,937
Provisions	15	275,364	258,521
Contract liabilities	9	78,674	27,908
Other non-current liabilities		215,996	319,012
		<u>11,050,457</u>	<u>10,776,821</u>
Total liabilities		<u>27,411,364</u>	<u>28,434,737</u>

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Consolidated Interim Statements of Financial Position
June 30, 2020 and December 31, 2019

<i>(in millions of Korean won)</i>	Notes	June 30, 2020 (Unaudited)	December 31, 2019
Equity			
Paid-in capital:	16		
Share capital		904,169	904,169
Share premium		3,088,179	3,088,179
Retained earnings	17	12,766,291	11,857,302
Accumulated other comprehensive loss	18	(1,354,619)	(1,309,801)
Other components of equity	19	(209,764)	(209,764)
Equity attributable to owners of the Parent Company		<u>15,194,256</u>	<u>14,330,085</u>
Non-controlling interests		<u>2,164,535</u>	<u>2,095,053</u>
Total equity		<u>17,358,791</u>	<u>16,425,138</u>
Total liabilities and equity		<u>44,770,155</u>	<u>44,859,875</u>

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Consolidated Interim Statements of Profit or Loss
Three-month and Six-month Periods Ended June 30, 2020 and 2019

(in millions of Korean won, except per share amounts)

	Notes	Period Ended June 30			
		2020 (Unaudited)		2019 (Unaudited)	
		Three months	Six months	Three months	Six months
Net sales	20	12,833,827	27,561,630	15,629,264	30,544,328
Cost of sales	21	9,463,042	20,297,098	11,672,931	22,842,978
Gross profit		3,370,785	7,264,532	3,956,333	7,701,350
Selling and marketing expenses	21,22	1,665,537	3,350,873	2,035,212	3,716,100
Administrative expenses	21,22	308,785	599,364	327,011	649,984
Research and development expenses	21,22	632,023	1,203,760	629,122	1,175,985
Service costs	21,22	269,003	524,694	312,751	606,405
Operating profit		495,437	1,585,841	652,237	1,552,876
Financial income	23	64,326	354,771	68,089	208,708
Financial expenses	24	162,321	567,966	147,553	366,308
Loss from equity method valuation	11	(175,635)	(252,778)	(206,673)	(229,896)
Other non-operating income	25	241,269	1,478,281	295,909	616,041
Other non-operating expenses	26	315,165	1,060,865	434,890	799,923
Profit before income tax		147,911	1,537,284	227,119	981,498
Income tax expense		82,361	385,003	121,106	297,520
Profit for the period		65,550	1,152,281	106,013	683,978
Profit for the period attributable to:					
Owners of the Parent Company		56,477	1,081,915	91,649	662,523
Non-controlling interests		9,073	70,366	14,364	21,455
		65,550	1,152,281	106,013	683,978
Earnings per share attributable to the owners of the Parent Company during the period (in Korean won):	27				
Earnings per ordinary share		312	6,006	508	3,677
Earnings per preferred share		325	6,031	520	3,702

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Consolidated Interim Statements of Comprehensive Income
Three-month and Six-month Periods Ended June 30, 2020 and 2019

(in millions of Korean won)

	Notes	Period Ended June 30			
		2020 (Unaudited)		2019 (Unaudited)	
		Three months	Six months	Three months	Six months
Profit for the period		65,550	1,152,281	106,013	683,978
Other comprehensive income (loss), net of tax					
<i>Items that will not be reclassified subsequently to profit or loss:</i>					
Remeasurements of the net defined benefit liability	14	(39,280)	(37,445)	(102,721)	(149,571)
Share of remeasurements of associates	11	(381)	(1,047)	(2,375)	(4,201)
Financial assets at fair value through other comprehensive income	7	4,633	782	8,827	8,849
<i>Items that will be reclassified subsequently to profit or loss:</i>					
Share of other comprehensive income					
(excluding remeasurements) of associates and joint ventures	11	(11,205)	65,697	1,820	65,174
Cash flow hedges	32	5,313	(48,443)	(20,481)	(33,963)
Exchange differences on translation of foreign operations		(36,165)	(37,714)	191,077	392,683
Other comprehensive income (loss) for the period, net of tax		(77,085)	(58,170)	76,147	278,971
Total comprehensive income (loss) for the period, net of tax		(11,535)	1,094,111	182,160	962,949
Comprehensive income (loss) for the period, net of tax, attributable to:					
Owners of the Parent Company		(9,511)	1,000,080	160,237	918,195
Non-controlling interests		(2,024)	94,031	21,923	44,754
Total comprehensive income (loss) for the period, net of tax		(11,535)	1,094,111	182,160	962,949

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Consolidated Interim Statements of Changes in Equity
Six-month Periods Ended June 30, 2020 and 2019

		Attributable to Owners of the Parent Company							
		Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Other Components of Equity	Total	Non-controlling Interests	Total Equity	
<i>(in millions of Korean won)</i>									
	Notes								
Balance at January 1, 2019		3,992,348	12,075,414	(1,604,730)	(209,764)	14,253,268	2,053,639	16,306,907	
Changes in accounting policy		-	(8,336)	-	-	(8,336)	428	(7,908)	
Restated total equity		<u>3,992,348</u>	<u>12,067,078</u>	<u>(1,604,730)</u>	<u>(209,764)</u>	<u>14,244,932</u>	<u>2,054,067</u>	<u>16,298,999</u>	
Total comprehensive income (loss) :									
Profit for the period		-	662,523	-	-	662,523	21,455	683,978	
Remeasurements of the net defined benefit liability	14	-	(142,489)	-	-	(142,489)	(7,082)	(149,571)	
Share of remeasurements of associates	11	-	(4,201)	-	-	(4,201)	-	(4,201)	
Financial assets at fair value through other comprehensive income	7	-	-	8,538	-	8,538	311	8,849	
Share of other comprehensive income (excluding remeasurements) of associates and joint ventures	11	-	-	65,174	-	65,174	-	65,174	
Cash flow hedges	32	-	-	(34,063)	-	(34,063)	100	(33,963)	
Exchange differences on translation of foreign operations		-	-	362,713	-	362,713	29,970	392,683	
Total comprehensive income (loss)		<u>-</u>	<u>515,833</u>	<u>402,362</u>	<u>-</u>	<u>918,195</u>	<u>44,754</u>	<u>962,949</u>	
Transactions with owners:									
Dividends	17	-	(135,909)	-	-	(135,909)	(30,761)	(166,670)	
Changes in controlling interests in subsidiaries		-	-	-	-	-	(280)	(280)	
Total transactions with owners		<u>-</u>	<u>(135,909)</u>	<u>-</u>	<u>-</u>	<u>(135,909)</u>	<u>(31,041)</u>	<u>(166,950)</u>	
Balance at June 30, 2019 (Unaudited)		<u>3,992,348</u>	<u>12,447,002</u>	<u>(1,202,368)</u>	<u>(209,764)</u>	<u>15,027,218</u>	<u>2,067,780</u>	<u>17,094,998</u>	
Balance at January 1, 2020		3,992,348	11,857,302	(1,309,801)	(209,764)	14,330,085	2,095,053	16,425,138	
Total comprehensive income (loss):									
Profit for the period		-	1,081,915	-	-	1,081,915	70,366	1,152,281	
Remeasurements of the net defined benefit liability	14	-	(35,970)	-	-	(35,970)	(1,475)	(37,445)	
Share of remeasurements of associates	11	-	(1,047)	-	-	(1,047)	-	(1,047)	
Financial assets at fair value through other comprehensive income	7	-	-	1,017	-	1,017	(235)	782	
Share of other comprehensive income (excluding remeasurements) of associates and joint ventures	11	-	-	65,697	-	65,697	-	65,697	
Cash flow hedges	32	-	-	(45,647)	-	(45,647)	(2,796)	(48,443)	
Exchange differences on translation of foreign operations		-	-	(65,885)	-	(65,885)	28,171	(37,714)	
Total comprehensive income (loss)		<u>-</u>	<u>1,044,898</u>	<u>(44,818)</u>	<u>-</u>	<u>1,000,080</u>	<u>94,031</u>	<u>1,094,111</u>	
Transactions with owners:									
Dividends	17	-	(135,909)	-	-	(135,909)	(24,549)	(160,458)	
Total transactions with owners		<u>-</u>	<u>(135,909)</u>	<u>-</u>	<u>-</u>	<u>(135,909)</u>	<u>(24,549)</u>	<u>(160,458)</u>	
Balance at June 30, 2020 (Unaudited)		<u>3,992,348</u>	<u>12,766,291</u>	<u>(1,354,619)</u>	<u>(209,764)</u>	<u>15,194,256</u>	<u>2,164,535</u>	<u>17,358,791</u>	

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Consolidated Interim Statements of Cash Flows Six-month Periods Ended June 30, 2020 and 2019

(in millions of Korean won)

	Notes	Six-month Period Ended June 30	
		2020 (Unaudited)	2019 (Unaudited)
Cash flows from operating activities			
Cash generated from operations	28	1,883,248	1,628,957
Interest received		53,663	62,316
Interest paid		(192,624)	(207,551)
Dividend received		701	1,177
Income tax paid		(228,497)	(281,784)
Net cash inflow from operating activities		1,516,491	1,203,115
Cash flows from investing activities			
Decrease in deposits held by financial institutions		3,831	5,492
Decrease in other receivables		46,767	64,651
Proceeds from redemption and disposal of other financial assets		57,778	37,217
Proceeds from disposal of property, plant and equipment		58,097	71,977
Proceeds from disposal of intangible assets		1,140	36
Proceeds from disposal of assets held for sale		856	110,814
Proceeds from redemption and disposal of investment in associates and joint ventures		656,291	-
Transfer of business		-	529
Increase in deposits held by financial institutions		(18,307)	(5,883)
Increase in other receivables		(76,852)	(75,163)
Acquisition of other financial assets		(44,018)	(44,871)
Acquisition of property, plant and equipment		(930,638)	(1,040,452)
Acquisition of intangible assets		(377,419)	(263,466)
Acquisition of investments in associates and joint ventures		(5,784)	(8,703)
Business combination	33	-	(2,594)
Net cash outflow from investing activities		(628,258)	(1,150,416)
Cash flows from financing activities			
Proceeds from borrowings		879,392	668,677
Repayments of borrowings		(817,013)	(816,356)
Repayments of lease liabilities		(146,580)	(150,906)
Dividends paid and others		(152,235)	(162,740)
Net cash outflow from financing activities		(236,436)	(461,325)
Effects of exchange rate changes on cash and cash equivalents		35,598	82,483
Net increase (decrease) in cash and cash equivalents		687,395	(326,143)
Cash and cash equivalents at the beginning of the period		4,777,368	4,270,388
Cash and cash equivalents at the end of the period		5,464,763	3,944,245

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Notes to the Consolidated Interim Financial Statements

June 30, 2020 and 2019 (Unaudited), and December 31, 2019

1. General Information

LG Electronics Inc. (the “Company” or “Parent Company”) was spun off from LG Electronics Investment Ltd. on April 1, 2002. The Parent Company’s shares were listed on the Korea Exchange on April 22, 2002, and some of its preferred shares, in the form of global depositary receipts (“GDRs”), are listed on the London Stock Exchange at the end of the reporting period. The Parent Company is domiciled in Korea at Yeoui-daero, Yeongdeungpo-gu, Seoul.

As at June 30, 2020, LG Corp. owns 33.7% of the Parent Company’s total shares, excluding preferred shares, while financial institutions, foreign investors and others own the rest.

The Parent Company and its subsidiaries (collectively referred to as the “Group”) operate following six major business segments: Home Appliance & Air Solution segment manufactures and sells refrigerators, washing machines, vacuum cleaners, and residential and commercial air conditioners; Home Entertainment segment manufactures and sells TVs and digital media products; Mobile Communications segment manufactures and sells mobile communications equipment; Vehicle component Solutions segment designs and manufactures automobile parts; Business Solutions segment manufactures and sells monitors, PCs, information displays, solar panels and others; and LG Innotek Co., Ltd. operates optics solutions, substrate materials and automotive components businesses. As at June 30, 2020, the Parent Company has 135 subsidiaries (Note 1 (a)), 14 associates and joint ventures (Note 11).

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Notes to the Consolidated Interim Financial Statements
June 30, 2020 and 2019 (Unaudited), and December 31, 2019

(a) Consolidated subsidiaries as at June 30, 2020 and December 31, 2019, are as follows:

Territory	Location	Subsidiary	June 30, 2020		December 31, 2019		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
The Republic of Korea	Korea	Hiplaza Co., Ltd.	100.0%	-	100.0%	-	December	Wholesales and retails of electronic products	More than half of voting rights
	Korea	ACE R&A Co., Ltd.	100.0%	-	100.0%	-	December	Production and sales of air conditioner	More than half of voting rights
	Korea	Hi M Solutek Co., Ltd.	100.0%	-	100.0%	-	December	Maintenance	More than half of voting rights
	Korea	Hi Teleservice Co., Ltd.	100.0%	-	100.0%	-	December	Marketing services	More than half of voting rights
	Korea	LG Innotek Co., Ltd. ¹	40.8%	59.2%	40.8%	59.2%	December	Production and sales of electrical/electronic materials	De-facto control
	Korea	LG Innotek Alliance Fund ¹	40.4%	59.6%	40.4%	59.6%	December	Investment	De-facto control
	Korea	Innowith Co., Ltd. ¹	40.8%	59.2%	40.8%	59.2%	December	Services	De-facto control
	Korea	Hanuri Co., Ltd.	100.0%	-	100.0%	-	December	Business facility maintenance	More than half of voting rights
	Korea	ZKW Lighting Systems Korea Co., Ltd.	70.0%	30.0%	70.0%	30.0%	December	R&D	More than half of voting rights
China	China	Inspur LG Digital Mobile Communications Co., Ltd.(LGEYT)	70.0%	30.0%	70.0%	30.0%	December	Production of electronic products	More than half of voting rights
	China	LG Electronics (China) Co., Ltd.(LGECH)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	China	LG Electronics (China) Research and Development Center Co., Ltd.(LGERD)	100.0%	-	100.0%	-	December	R&D	More than half of voting rights
	China	LG Electronics (Hangzhou) Co., Ltd.(LGEHN)	70.0%	30.0%	70.0%	30.0%	December	Production of electronic products	More than half of voting rights

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Notes to the Consolidated Interim Financial Statements
June 30, 2020 and 2019 (Unaudited), and December 31, 2019

Territory	Location	Subsidiary	June 30, 2020		December 31, 2019		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	China	LG Electronics (Kunshan) Co., Ltd.(LGEKS)	100.0%	-	100.0%	-	December	Production of electronic products	More than half of voting rights
	China	LG Electronics (Shanghai) Research and Development Center Co., Ltd.(LGCRC)	100.0%	-	100.0%	-	December	R&D	More than half of voting rights
	China	LG Electronics Air-Conditioning(Shandong) Co., Ltd.(LGEQA)	100.0%	-	100.0%	-	December	Production and sales of electronic products	More than half of voting rights
	China	LG ELECTRONICS HK LIMITED(LGEHK)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	China	LG Electronics (Huizhou) Inc.(LGEHZ)	80.0%	20.0%	80.0%	20.0%	December	Production of electronic products	More than half of voting rights
	China	LG Electronics Nanjing Battery Pack Co.,Ltd.(LGENB) ²	50.0%	50.0%	50.0%	50.0%	December	Production of electronic products	De-facto control
	China	LG Electronics Nanjing New Technology Co.,LTD(LGENT)	70.0%	30.0%	70.0%	30.0%	December	Production of electronic products	More than half of voting rights
	China	LG Electronics Nanjing Vehicle Components Co.,Ltd.(LGENV)	100.0%	-	100.0%	-	December	Production of electronic products	More than half of voting rights
	China	LG Electronics (Qinhuangdao) Co.,LTD(LGEQH)	100.0%	-	100.0%	-	December	Production of casting	More than half of voting rights
	China	LG Electronics (Shenyang) Inc(LGESY)	78.9%	21.1%	78.9%	21.1%	December	Production of electronic products	More than half of voting rights
	China	LG Electronics (Tianjin) Appliances Co., Ltd.(LGETA)	80.0%	20.0%	80.0%	20.0%	December	Production of electronic products	More than half of voting rights
	China	Nanjing LG Panda Appliances Co., Ltd(LGEPN)	70.0%	30.0%	70.0%	30.0%	December	Production of electronic products	More than half of voting rights
	China	Qingdao LG Inspur Digital Communication Co., Ltd.(LGEQD)	70.0%	30.0%	70.0%	30.0%	December	Production of electronic products	More than half of voting rights

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Notes to the Consolidated Interim Financial Statements
June 30, 2020 and 2019 (Unaudited), and December 31, 2019

Territory	Location	Subsidiary	June 30, 2020		December 31, 2019		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	China	Taizhou LG Electronics Refrigeration Co., Ltd.(LGETR)	100.0%	-	100.0%	-	December	Production of electronic products	More than half of voting rights
	China	Tianjin Lijie cartridge heater Co., Ltd.(LGETL)	100.0%	-	100.0%	-	December	Production of heater	More than half of voting rights
	China	QINGGONGLIAN ELECTRICAL INSTALLATION ENGINEERING CO.,LTD.	80.0%	20.0%	80.0%	20.0%	December	Installation and sales of air conditioners	More than half of voting rights
	China	LG Innotek Yantai Co.,Ltd.(LGITYT) ¹	40.8%	59.2%	40.8%	59.2%	December	Production and sales of electrical/electronic materials	De-facto control
	China	LG Innotek Huizhou Co.,Ltd.(LGITHZ) ¹	40.8%	59.2%	40.8%	59.2%	December	Production and sales of electrical/electronic materials	De-facto control
	China	LG Innotek Trading (Shanghai) Co.,Ltd.(LGITSH) ¹	40.8%	59.2%	40.8%	59.2%	December	Sales of electrical/electronic materials	De-facto control
	China	ZKW Lighting Systems (Dalian) Co. Ltd.	70.0%	30.0%	70.0%	30.0%	December	Production and sales of vehicle components	More than half of voting rights
	China	HIPLAZA (Shenyang) Trading Co., Ltd.	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
Asia	Australia	LG ELECTRONICS AUSTRALIA PTY LIMITED(LGEAP)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	India	LG ELECTRONICS INDIA PRIVATE LIMITED(LGEIL) ⁴	100.0%	-	100.0%	-	March	Production and sales of electronic products	More than half of voting rights
	Japan	LG Japan Lab. Inc.(LGJL)	100.0%	-	100.0%	-	December	R&D	More than half of voting rights
	Japan	LG Electronics Japan, Inc.(LGEJP)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Malaysia	LG Electronics (M) Sdn. Bhd(LGEML)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights

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			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	Philippines	LG Electronics Philippines Inc.(LGEPH)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Singapore	LG Electronics Singapore Pte.Ltd.(LGESL)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Taiwan	LG Electronics Taiwan Taipei Co., Ltd.(LGETT)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Thailand	LG Electronics (Thailand) Company Limited(LGETH)	100.0%	-	100.0%	-	December	Production and sales of electronic products	More than half of voting rights
	India	LG Soft India Private Limited.(LGS) ⁴	100.0%	-	100.0%	-	March	R&D	More than half of voting rights
	Indonesia	P.T. LG Electronics Indonesia(LGEIN)	100.0%	-	100.0%	-	December	Production and sales of electronic products	More than half of voting rights
	Philippines	LG Electronics Pasig Inc. ³	38.0%	62.0%	38.0%	62.0%	December	Real estates	De-facto control
	Indonesia	PT. LG Innotek Indonesia(LGITIN) ¹	40.8%	59.2%	40.8%	59.2%	December	Production and sales of electrical/electronic materials	De-facto control
	Taiwan	LG Innotek (Taiwan) Co., Ltd.(LGITTW) ¹	40.8%	59.2%	40.8%	59.2%	December	Sales of electrical/electronic materials	De-facto control
	Vietnam	LG Innotek Vietnam Hai Phong Co.,Ltd.(LGITVH) ¹	40.8%	59.2%	40.8%	59.2%	December	Production and sales of electrical/electronic materials	De-facto control
	Malaysia	V-ENS (M) Sdn. Bhd.	100.0%	-	100.0%	-	December	Automotive engineering	More than half of voting rights
	Vietnam	LG Electronics Vietnam Hai Phong Co., Ltd.(LGEVH)	100.0%	-	100.0%	-	December	Production and sales of electronic products	More than half of voting rights
	Indonesia	PT. LG Electronics Service Indonesia(LGEID)	99.8%	0.2%	99.8%	0.2%	December	Services	More than half of voting rights
	Philippines	HI-M SOLUTEK PHILIPPINES INC.	100.0%	-	100.0%	-	December	Services	More than half of voting rights

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			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	Vietnam	HI-M SOLUTEK VIETNAM CO., LTD.	100.0%	-	100.0%	-	December	Services	More than half of voting rights
Europe	Netherlands	LG Electronics Benelux Sales B.V.(LGEBN)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Germany	LG Electronics Deutschland GmbH(LGEDG)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Spain	LG Electronics Espana S.A.(LGEES)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Netherlands	LG Electronics European Holding B.V.(LGEEH)	100.0%	-	100.0%	-	December	European holding	More than half of voting rights
	Netherlands	LG Electronics European Shared Service Center B.V.(LGESC)	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	France	LG Electronics France S.A.S(LGEFS)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Greece	LG Electronics Hellas S.A(LGEHS)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Italy	LG Electronics Italia S.P.A.(LGEIS)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Latvia	LG Electronics Latvia LTD(LGELA)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Hungary	LG Electronics Magyar K.F.T.(LGEMK)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Poland	LG Electronics Mlawa Sp. z.O.O.(LGEMA)	100.0%	-	100.0%	-	December	Production of electronic products	More than half of voting rights
	Sweden	LG Electronics Nordic AB(LGESW)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Poland	LG Electronics Polska Sp. Z.O.O(LGEPL)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Portugal	LG Electronics Portugal S.A.(LGEPT)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights

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			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
UK		LG Electronics U.K. LTD(LGEUK)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
Poland		LG Electronics Wroclaw Sp. z.O.O.(LGEWR)	100.0%	-	100.0%	-	December	Production of electronic products	More than half of voting rights
Finland		LG Electronics Finland Lab Oy(LGEFL)	100.0%	-	100.0%	-	December	R&D	More than half of voting rights
Poland		LG Innotek Poland Sp. z.o.o.(LGITPO) ¹	40.8%	59.2%	40.8%	59.2%	December	Production and sales of electrical/electronic materials	De-facto control
Austria		ZKW Holding GmbH	70.0%	30.0%	70.0%	30.0%	December	Holding company	More than half of voting rights
Austria		ZKW Group GmbH	70.0%	30.0%	70.0%	30.0%	December	Services	More than half of voting rights
Austria		ZKW Elektronik GmbH	70.0%	30.0%	70.0%	30.0%	December	Production and sales of vehicle components	More than half of voting rights
Austria		ZKW Lichtsysteme GmbH	70.0%	30.0%	70.0%	30.0%	December	Production and sales of vehicle components	More than half of voting rights
Austria		ZKW Austria Immobilien Holding GmbH	70.0%	30.0%	70.0%	30.0%	December	Holding company	More than half of voting rights
Austria		ZKW Austria Immobilien GmbH	70.0%	30.0%	70.0%	30.0%	December	Real estates	More than half of voting rights
Slovakia		ZKW Slovakia s.r.o.	70.0%	30.0%	70.0%	30.0%	December	Production and sales of vehicle components	More than half of voting rights
Czech		KES - kabelove a elektricke systemy spol. s.r.o.	70.0%	30.0%	70.0%	30.0%	December	Production and sales of vehicle components	More than half of voting rights

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			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	Poland	KES Poland Sp.z o.o.	70.0%	30.0%	70.0%	30.0%	December	Production and sales of vehicle components	More than half of voting rights
North America	USA	LG Electronics Miami Inc.(LGEMI)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	USA	LG Electronics Alabama Inc.(LGEAI)	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	Canada	LG Electronics Canada, Inc.(LGECI)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Mexico	LG Electronics Mexicali, S.A. de C.V.(LGEMX)	100.0%	-	100.0%	-	December	Production of electronic products	More than half of voting rights
	Mexico	LG Electronics Mexico S.A. DE C.V.(LGEMS)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	USA	LG Electronics Mobile Research U.S.A., L.L.C.(LGEMR)	100.0%	-	100.0%	-	December	R&D	More than half of voting rights
	Mexico	LG Electronics Monterrey Mexico S.A.de C.V.(LGEMM)	100.0%	-	100.0%	-	December	Production of electronic products	More than half of voting rights
	Mexico	LG Electronics Reynosa, S.A. De C.V.(LGERS)	100.0%	-	100.0%	-	December	Production of electronic products	More than half of voting rights
	USA	LG Electronics U.S.A., Inc.(LGEUS)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Mexico	Servicios Integrales LG S.A DE C.V	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	Mexico	Servicios LG Monterrey Mexico S.A. de C.V.	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	USA	Zenith Electronics Corporation of Pennsylvania	100.0%	-	100.0%	-	December	Production of electronic products	More than half of voting rights
USA	Zenith Electronics LLC(Zenith)	100.0%	-	100.0%	-	December	R&D	More than half of voting rights	

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Territory	Location	Subsidiary	June 30, 2020		December 31, 2019		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	USA	LG Innotek USA, Inc.(LGITUS) ¹	40.8%	59.2%	40.8%	59.2%	December	Sales of electrical/electronic materials	De-facto control
	Mexico	LG Innotek Mexico SA DE CV(LGITMX) ¹	40.8%	59.2%	40.8%	59.2%	December	Production and sales of electrical/electronic materials	De-facto control
	USA	LG Electronics Vehicle Components U.S.A., LLC.(LGEVU)	100.0%	-	100.0%	-	December	Production and sales of electronic products	More than half of voting rights
	USA	LGEUS Power, LLC	100.0%	-	100.0%	-	December	Investment of solar power plant	More than half of voting rights
	USA	LG Electronics Fund I LLC	100.0%	-	100.0%	-	December	Investment in technology start-ups	More than half of voting rights
	USA	LG Technology Ventures LLC	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	USA	LG CORP. U.S.A.	100.0%	-	100.0%	-	December	Real estates	More than half of voting rights
	USA	ZKW Lighting Systems USA, Inc.	70.0%	30.0%	70.0%	30.0%	December	Sales of vehicle components	More than half of voting rights
	Mexico	ZKW Mexico Inmobiliaria, S.A. de C.V.	70.0%	30.0%	70.0%	30.0%	December	Real estates	More than half of voting rights
	Mexico	ZKW Mexico, S.A. de C.V.	70.0%	30.0%	70.0%	30.0%	December	Production and sales of vehicle components	More than half of voting rights
	Mexico	ZKW Mexico Servicios, S.A. de C.V.	70.0%	30.0%	70.0%	30.0%	December	Services	More than half of voting rights
South America	Argentina	LG Electronics Argentina S.A.(LGEAR)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Colombia	LG Electronics Colombia Limitada(LGECB)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Brazil	LG Electronics do Brasil Ltda.(LGEBR)	100.0%	-	100.0%	-	December	Production and sales of electronic products	More than half of voting rights

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			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	Honduras	LG Electronics Honduras S.de R.L. ²	20.0%	80.0%	20.0%	80.0%	December	Sales of electronic products	De-facto control
	Chile	LG Electronics Inc Chile Limitada(LGECL)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Panama	LG Electronics Panama, S.A.(LGEPS)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Peru	LG Electronics Peru S.A.(LGEPR)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Venezuela	LG Electronics Venezuela, S.A.(LGEVZ)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Panama	LG Consulting Corp.	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	Guatemala	LG Electronics Guatemala, S.A.	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
Middle East and Africa	Angola	LG Electronics Angola Limitada(LGEAO)	100.0%	-	100.0%	-	December	Sales and services of electronic products	More than half of voting rights
	Jordan	LG Electronics Levant - Jordan(LGELF)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	UAE	LG Electronics Africa Logistics FZE(LGEAF)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Algeria	LG Electronics Algeria SARL(LGEAS)	70.0%	30.0%	70.0%	30.0%	December	Sales of electronic products	More than half of voting rights
	UAE	LG Electronics Dubai FZE(LGEDF)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Egypt	LG Electronics Egypt S.A.E(LGEEG)	100.0%	-	100.0%	-	December	Production and sales of electronic products	More than half of voting rights
	UAE	LG Electronics Gulf FZE(LGEGF)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	UAE	LG Electronics Middle East Co., Ltd.(LGEME)	100.0%	-	100.0%	-	December	Services	More than half of voting rights

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Territory	Location	Subsidiary	June 30, 2020		December 31, 2019		Closing month	Major business	Basis of control
			Percentage of ownership		Percentage of ownership				
			Controlling interest	Non-controlling interest	Controlling interest	Non-controlling interest			
	Morocco	LG Electronics Morocco S.A.R.L.(LGEMC)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Nigeria	LG Electronics Nigeria Limited(LGENI)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Tunisia	LGENAF Service Company SARL	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	UAE	LG Electronics Overseas Trading FZE(LGEOT)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	South Africa	LG Electronics S.A. (Pty) Ltd.(LGESA)	100.0%	-	100.0%	-	December	Production and sales of electronic products	More than half of voting rights
	Turkey	LG Electronics Ticaret A.S.(LGETK)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Saudi Arabia	LG-Shaker Co.Ltd.(LGESR)	51.0%	49.0%	51.0%	49.0%	December	Production of electronic products	More than half of voting rights
	Saudi Arabia	LG Electronics Saudi Arabia LLC	100.0%	-	100.0%	-	December	Services	More than half of voting rights
	UAE	HI M SOLUTEK HVAC SERVICE AND MAINTENANCE LLC	100.0%	-	100.0%	-	December	Services	More than half of voting rights
Other	Kazakhstan	LG Electronics Almaty Kazakhstan Limited Liability Partnership(LGEAK) ⁵	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights
	Russia	LG Electronics RUS, LLC(LGERA)	100.0%	-	100.0%	-	December	Production and sales of electronic products	More than half of voting rights
	Ukraine	LG Electronics Ukraine(LGEUR)	100.0%	-	100.0%	-	December	Sales of electronic products	More than half of voting rights

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- ¹ Although the Group owns less than half of the voting rights of LG Innotek Co., Ltd., which is an intermediate parent company of its subsidiaries, the Group is deemed to have control over LG Innotek Co., Ltd. due to the size and dispersion of holdings of the other shareholders and their voting patterns at previous shareholders' meetings (Note 3).
- ² Although the Group owns less than a majority of the effective percentage of ownership of the entity, the Group has concluded that the Group controls the entity. This is because the Group has a right to appoint or dismiss the majority of its Board of Directors by virtue of an agreement with the other investors.
- ³ Although the Group owns less than a majority of the effective percentage of ownership of the entity, the Group has concluded that the Group controls the entity. This is because the Group has the substantial power to direct the relevant activities and is exposed to variable returns.
- ⁴ In the preparation of the consolidated interim financial statements, the financial statements for the six-month period ended June 30, 2020 were used for those subsidiaries with different fiscal year ends.
- ⁵ JSC Electronics Almaty Kazakhstan changed its name to LG Electronics Almaty Kazakhstan Limited Liability Partnership during the six-month period ended June 30, 2020.

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(b) Financial information of major subsidiaries as at June 30, 2020 and December 31, 2019, and for the three-month and six-month periods ended June 30, 2020 and 2019, are as follows (before elimination of intercompany transactions):

<i>(in millions of Korean won)</i>	June 30, 2020			2020			
	Assets	Liabilities	Equity	Three months		Six months	
				Sales	Profit (loss) for the period	Sales	Profit (loss) for the period
LG Innotek Co., Ltd.	5,071,356	3,013,241	2,058,115	1,492,769	24,793	3,439,635	95,429
LG Electronics U.S.A., Inc.(LGEUS)	4,605,823	3,457,843	1,147,980	2,792,340	28,280	5,624,456	142,930
LG Electronics European Shared Service Center B.V.(LGESC)	2,556,928	2,510,724	46,204	131,598	1,584	242,202	12,518
LG ELECTRONICS INDIA PRIVATE LIMITED(LGEIL)	1,169,904	354,332	815,572	297,677	12,047	920,511	88,424
LG Electronics Vietnam Hai Phong Co., Ltd(LGEVH)	1,557,061	944,840	612,221	1,179,349	67,033	2,409,255	75,730
LG Electronics Mlawa Sp. z.O.O.(LGEMA)	870,054	347,001	523,053	492,828	12,212	1,156,878	28,101
Zenith Electronics LLC(Zenith)	1,217,521	42,201	1,175,320	29,265	(368)	60,860	1,474
LG Electronics do Brasil Ltda.(LGEBR)	916,635	394,111	522,524	315,557	75,821	800,102	70,481
LG Electronics RUS, LLC(LGERA)	842,229	295,876	546,353	230,767	21,177	582,806	38,690
Hiplaza Co., Ltd.	1,068,912	890,367	178,545	823,317	17,301	1,459,079	1,134
LG Innotek Vietnam Hai Phong Co.,Ltd.(LGITVH)	895,783	649,580	246,203	371,410	4,359	787,880	22,683
ZKW Lichtsysteme GmbH	868,248	483,060	385,188	134,883	(12,479)	329,719	(10,774)
LG Electronics (China) Co., Ltd(LGECH)	842,328	939,122	(96,794)	62,415	12,630	108,111	13,666
LG Electronics (Tianjin) Appliances Co., Ltd.(LGETA)	658,360	345,428	312,932	326,083	18,970	607,124	26,746
ZKW Group GmbH	761,571	453,398	308,173	47,899	(4,554)	48,664	(2,188)
LG Electronics Deutschland GmbH(LGEDG)	632,885	470,579	162,306	479,239	(3,042)	1,088,876	26,296
Taizhou LG Electronics Refrigeration Co., Ltd.(LGETR)	578,564	355,594	222,970	254,984	13,904	491,029	22,695
LG Electronics (Thailand) Company Limited(LGETH)	566,860	195,264	371,596	263,666	(3,485)	671,095	24,351
P.T. LG Electronics Indonesia(LGEIN)	593,484	180,114	413,370	253,503	8,187	579,110	25,348
LG Electronics Nanjing New Technology co.,LTD(LGENT)	540,212	331,115	209,097	453,131	21,060	811,001	37,314

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<i>(in millions of Korean won)</i>	December 31, 2019			2019			
	Assets	Liabilities	Equity	Three months		Six months	
				Sales	Profit (loss) for the period	Sales	Profit (loss) for the period
LG Innotek Co., Ltd.	5,070,125	3,093,240	1,976,885	1,471,269	(21,962)	2,777,678	(64,266)
LG Electronics U.S.A., Inc.(LGEUS)	4,198,780	3,212,631	986,149	3,173,510	(54,365)	6,118,819	113,625
LG Electronics European Shared Service Center B.V.(LGESC)	2,187,220	2,154,955	32,265	154,802	8,208	261,091	18,575
LG ELECTRONICS INDIA PRIVATE LIMITED(LGEIL)	1,388,314	427,032	961,282	807,227	97,360	1,499,147	177,251
LG Electronics Vietnam Hai Phong Co., Ltd(LGEVH)	1,343,056	823,654	519,402	811,485	(30,584)	1,684,930	26,886
LG Electronics Mlawa Sp. z.O.O.(LGEMA)	1,245,535	747,770	497,765	576,268	14,860	1,291,142	26,988
Zenith Electronics LLC(Zenith)	1,167,950	36,033	1,131,917	15,987	(2,543)	29,799	(5,260)
LG Electronics do Brasil Ltda.(LGEBR)	1,105,865	520,535	585,330	506,927	23,220	1,030,822	56,455
LG Electronics RUS, LLC(LGERA)	997,741	359,536	638,205	282,351	13,430	598,957	45,441
Hiplaza Co., Ltd.	886,765	708,045	178,720	845,350	4,094	1,617,415	9,370
LG Innotek Vietnam Hai Phong Co.,Ltd.(LGITVH)	830,101	614,326	215,775	382,739	24,734	570,157	22,806
ZKW Lichtsysteme GmbH	821,432	441,363	380,069	236,110	9,989	470,089	17,437
LG Electronics (China) Co., Ltd(LGECH)	722,510	830,334	(107,824)	83,297	5,494	165,939	11,196
LG Electronics (Tianjin) Appliances Co., Ltd.(LGETA)	648,200	368,298	279,902	399,868	18,906	768,722	31,344
ZKW Group GmbH	640,509	340,845	299,664	964	15,839	1,255	19,179
LG Electronics Deutschland GmbH(LGEDG)	630,537	500,620	129,917	558,506	16,432	1,048,160	(7,161)
Taizhou LG Electronics Refrigeration Co., Ltd.(LGETR)	607,191	411,382	195,809	316,422	7,551	584,673	18,623
LG Electronics (Thailand) Company Limited(LGETH)	589,208	244,389	344,819	321,142	11,300	724,803	20,449
P.T. LG Electronics Indonesia(LGEIN)	589,151	215,266	373,885	327,472	11,733	663,635	33,066
LG Electronics Nanjing New Technology co.,LTD(LGENT)	482,000	273,422	208,578	351,154	15,260	763,041	27,535

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(c) Information of subsidiaries with material non-controlling interests is as follows:

- LG Innotek Co., Ltd. and its subsidiaries

i) Percentage of ownership in non-controlling interests and accumulated non-controlling interests

<i>(in millions of Korean won)</i>	June 30, 2020	December 31, 2019
Percentage of ownership in non-controlling interests	59.2%	59.2%
Accumulated non-controlling interests	1,378,737	1,319,261

ii) Profit (loss) and dividends attributable to non-controlling interests for the three-month and six-month periods ended June 30, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020		2019	
	Three months	Six months	Three months	Six months
Profit (loss) to non-controlling interests	8,740	59,047	(775)	(19,485)
Dividends to non-controlling interests	5	4,209	-	4,204

iii) Summarized consolidated statements of financial position of subsidiaries with material non-controlling interests, are as follows (before elimination of intercompany transactions):

<i>(in millions of Korean won)</i>	June 30, 2020	December 31, 2019
Current assets	2,435,648	2,530,944
Non-current assets	3,303,261	3,239,836
Total assets	5,738,909	5,770,780
Current liabilities	1,914,887	2,046,234
Non-current liabilities	1,530,527	1,519,942
Total liabilities	3,445,414	3,566,176
Equity attributable to the owners of LG Innotek Co., Ltd.	2,293,495	2,204,604
Non-controlling interests	-	-
Total equity	2,293,495	2,204,604

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- iv) Summarized consolidated statements of comprehensive income (loss) of subsidiaries with material non-controlling interests for the three-month and six-month periods ended June 30, 2020 and 2019, are as follows (before elimination of intercompany transactions):

<i>(in millions of Korean won)</i>	2020		2019	
	Three months	Six months	Three months	Six months
Net sales	1,539,868	3,550,743	1,522,325	2,890,955
Profit (loss) for the period	7,591	88,163	(5,166)	(38,161)
Other comprehensive income (loss), net of tax	(9,010)	7,833	(4,312)	4,503
Total comprehensive income (loss), net of tax	(1,419)	95,996	(9,478)	(33,658)

- v) Summarized consolidated statements of cash flows of subsidiaries with material non-controlling interests for the six-month periods ended June 30, 2020 and 2019, are as follows (before elimination of intercompany transactions):

<i>(in millions of Korean won)</i>	2020	2019
Cash flows from operating activities	311,971	227,885
Cash flows from investing activities	(312,797)	(160,621)
Cash flows from financing activities	(71,171)	(118,970)
Effects of exchange rate changes on cash and cash equivalents	1,787	3,415
Net decrease in cash and cash equivalents	(70,210)	(48,291)
Cash and cash equivalents at the beginning of the period	799,575	621,247
Cash and cash equivalents at the end of the period	729,365	572,956

(d) Significant restrictions on subsidiaries

- i) Significant restrictions on the ability to use the assets and settle the liabilities of the Group

Cash and other short-term financial instruments held by subsidiaries in Egypt, Algeria, Russia and Kazakhstan are subject to exchange control regulations of each relevant country. Accordingly, there are transfer limits on their cash and short-term financial instruments from these countries.

- ii) The nature and extent to which the protective rights of non-controlling interests can restrict the use of the assets and settlement of the liabilities of the Group are as follows:

Subsidiary	The nature and extent of the protective rights for non-controlling interests
LG-Shaker Co.Ltd.(LGESR)	An unanimous approval is required for the confirmation of the financial statements and dividend declaration.

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(e) Changes in the Parent Company's interest in subsidiaries

There are no changes in the Parent Company's interest in subsidiaries without the loss of control for the six-month periods ended June 30, 2020 and 2019.

(f) There is no subsidiary newly included in the scope of the preparation of the consolidated interim financial statements for the six-month period ended June 30, 2020.

(g) There is no subsidiary excluded from the scope of the preparation of the consolidated interim financial statements for the six-month period ended June 30, 2020.

(h) Gain or loss resulted from the loss of control

During the six-month period ended June 30, 2020, no gain or loss was incurred from the loss of control.

2. Significant Accounting Policies

Basis of Preparation

The Group maintains its accounting records in Korean won and prepares statutory financial statements in the Korean language (Hangul) in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS). The accompanying consolidated interim financial statements have been condensed, restructured and translated into English from the Korean language financial statements.

The Group's consolidated interim financial statements for the six-month period ended June 30, 2020, have been prepared in accordance with Korean IFRS 1034 *Interim Financial Reporting*. These consolidated interim financial statements have been prepared in accordance with Korean IFRS which is effective as at June 30, 2020.

Changes in Accounting Policies and Disclosures

(a) New and amended standards and interpretations effective for the financial year beginning January 1, 2020

- Amendments to Korean IFRS 1001 *Presentation of Financial Statements* and Korean IFRS 1008 *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*

The amendments clarify the explanation of the definition of material and amended Korean IFRS 1001 and Korean IFRS 1008 in accordance with the clarified definitions. Materiality is assessed by reference to omission or misstatement of material information as well as effects of immaterial information, and to the nature of the users when determining the information to be disclosed by the Group. The amendments do not have a significant impact on the consolidated interim financial statements.

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- Amendments to Korean IFRS 1103 *Business Combination – Definition of a Business*

To determine whether an acquired set of activities and assets is a business, the amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs and excludes economic benefits from the lower costs. An entity can apply a concentration test, an optional test, where substantially all of the fair value of gross assets acquired is concentrated in a single asset or a group of similar assets, the assets acquired would not represent a business. The amendments do not have a significant impact on the consolidated interim financial statements.

- Amendments to Korean IFRS 1109 *Financial Instruments*, Korean IFRS 1039 *Financial Instruments: Recognition and Measurement* and Korean IFRS 1107 *Financial Instruments: Disclosure – Interest Rate Benchmark Reform*

The amendments allow to apply the exceptions when forward-looking analysis is performed in relation the application of hedge accounting while uncertainties arising from interest rate benchmark reform exist. The exceptions assume that the interest rate benchmark on which the hedged items and the hedging instruments are based is not altered as a result of interest rate benchmark reform, when determining whether the expected cash flows are highly probable, whether an economic relationship between the hedged item and the hedging instrument exists, and when assessing the hedging relationship is highly effective. The amendments do not have a significant impact on the consolidated interim financial statements.

- Amendments to Korean IFRS 1116 *Lease – Practical expedient for COVID-19-Related Rent Exemption, Concessions, Suspension*

When the conditions to apply the practical expedient are met, a lessee may elect not to assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification. A lessee that makes this election shall not account for any changes in lease payments resulting from the rent concession as a lease modification, but recognizes it as profit or loss.

In accordance with amendments to Korean IFRS 1116, the Group applies a practical expedient which does not assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification. The Group has adopted Korean IFRS 1116 retrospectively, as permitted under the specific transitional provisions in the standard. There was no cumulative impact on the beginning balance of retained earnings as at January 1, 2020 by retrospectively applying this standard, and the Group did not restate comparatives for the 2019 reporting period. The amendments do not have a significant impact on the consolidated interim financial statements.

- (b) There are no new, enacted and amended standards issued, but not effective for June 30, 2020, and not early adopted by the Group.

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Application of Accounting Policies

Significant accounting policies and method of computation used in the preparation of the condensed consolidated interim financial statements are consistent with those of the consolidated financial statements for the year ended December 31, 2019, except for the changes due to the application of amendment and enactments of standards described in Note 2 and the ones described below.

Income Tax Expense

Income tax expense for the interim period is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate is applied to the pre-tax income for the period.

3. Critical Accounting Estimates and Judgements

The estimates and judgments are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable.

Critical Accounting Estimates and Assumptions

The Group makes estimates and assumptions concerning the future. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results.

During 2020, the spread of COVID-19 has a material impact on domestic and foreign economy. It may have a negative impact; such as, decrease in productivity, decrease or delay in sales, collection of existing receivables and others. Accordingly, it may have a negative impact on the financial position and financial performance of the Group, and the impact is expected to be continued to the consolidated annual financial statements in 2020.

Significant accounting estimates and assumptions applied in the preparation of the consolidated interim financial statements can be adjusted depending on changes in the uncertainty from COVID-19. Also, the ultimate effect of COVID-19 to the Group's business, financial position and financial performance cannot presently be determined.

The estimates and assumptions that have a significant risk of causing adjustments to the carrying amounts of assets and liabilities after the end of the reporting period are addressed below.

(a) Revenue Recognition

The Group recognizes revenue over time using the percentage of completion method for the rendering of service such as equipment production and installation. The Group measures the percentage of completion by estimating cost for the completion of the transaction, and the factors for the estimation of revenue may vary.

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(b) Impairment of Goodwill

The Group tests goodwill and others regularly for impairment. The recoverable amounts of cash-generating units have been determined based on fair value less costs of disposal or value-in-use calculations. These calculations require estimates.

(c) Income Taxes

The Group recognizes assets and liabilities for anticipated tax audit issues based on the best estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax assets and liabilities in the period in which such determination is made.

(d) Fair Value of Financial Instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and makes assumptions that are mainly based on market conditions existing at the end of the reporting period.

(e) Provisions

The Group recognizes provisions for product warranties and others based on their historical data at the end of the reporting period.

(f) Net Defined Benefit Liabilities

The present value of the defined benefit liability depends on various factors that are determined on an actuarial basis. The assumptions used in determining the net cost (income) for pensions include the discount rate, which is the interest rate that is used to determine the present value of estimated future cash outflows expected to be required to settle the defined benefit liability. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. Other key assumptions for defined benefit liability are based on current market conditions.

(g) Development Costs

The Group capitalizes development costs when there is a reasonable assurance that projects have technical feasibility and the possibility of generating future economic benefits, and performs periodic impairment test. The recoverable amount of each project has been calculated on a basis of the value-in-use reflecting historical experience and future business plans. These calculations require estimates.

(h) Lease

In determining the lease term, management considers all facts and circumstances that create an

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economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The assessment of reasonable certainty to exercise (or not exercise) an extension option is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

Significant Judgment on Accounting Policies Adopted by the Group

In order to determine the Group's de-facto control, the Group considers percentage of ownership held by Group and ownership dispersion of the remaining shareholders, and also considers additional facts and circumstances including voting patterns at previous shareholders' meetings.

4. Segment Information

The segments of the Group are strategic business divisions providing different products and services. They are reported separately because each business division requires different technologies and marketing strategies. At the end of the reporting periods, the main products of each business division are as follows, and the comparative information is presented in conformity with the same classification in the current period.

Operating segment	Type of products
Home Appliance & Air Solution (H&A)	Refrigerators, washing machines, air conditioners, vacuum cleaners and others
Home Entertainment (HE)	TVs, audio, beauty appliances and others
Mobile Communications (MC)	Mobile communications
Vehicle component Solutions (VS)	Vehicle components and others
Business Solutions (BS)	Monitors, PCs, information displays, solar panels and others
LG Innotek Co., Ltd. and its subsidiaries (Innotek)	Camera modules, substrate & material, motor/sensor and others
Other segments	Equipment production and others

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(a) The segment information for sales and operating profit (loss) for the three-month and six-month periods ended June 30, 2020 and 2019, is as follows:

Three-month period ended June 30, 2020									
<i>(in millions of Korean won)</i>	H&A	HE	MC	VS	BS	Innotek	Other segments¹	Inter-segment transactions²	Total
Sales	5,155,104	2,256,689	1,308,645	912,251	1,307,099	1,539,868	534,964	(180,793)	12,833,827
External sales	5,142,943	2,255,764	1,308,096	912,251	1,306,704	1,442,713	465,356	-	12,833,827
Internal sales	12,161	925	549	-	395	97,155	69,608	(180,793)	-
Operating profit (loss) ³	628,034	112,788	(206,458)	(202,485)	98,307	42,938	22,313	-	495,437
Depreciation and amortization	173,410	67,381	37,955	122,091	59,787	163,608	26,475	-	650,707

Six-month period ended June 30, 2020									
<i>(in millions of Korean won)</i>	H&A	HE	MC	VS	BS	Innotek	Other segments¹	Inter-segment transactions²	Total
Sales	10,573,067	5,227,410	2,307,254	2,231,483	3,016,155	3,550,743	1,013,209	(357,691)	27,561,630
External sales	10,547,645	5,226,158	2,306,298	2,231,483	3,015,263	3,329,210	905,573	-	27,561,630
Internal sales	25,422	1,252	956	-	892	221,533	107,636	(357,691)	-
Operating profit (loss) ³	1,381,538	438,577	(444,248)	(299,265)	310,520	180,898	17,821	-	1,585,841
Depreciation and amortization	340,452	140,131	74,311	244,817	118,403	320,391	55,011	-	1,293,516

Three-month period ended June 30, 2019									
<i>(in millions of Korean won)</i>	H&A	HE	MC	VS	BS	Innotek	Other segments¹	Inter-segment transactions²	Total
Sales	6,102,794	2,986,270	1,613,267	1,423,070	1,494,672	1,522,325	750,924	(264,058)	15,629,264
External sales	6,089,927	2,985,416	1,612,656	1,423,047	1,492,829	1,355,642	669,747	-	15,629,264
Internal sales	12,867	854	611	23	1,843	166,683	81,177	(264,058)	-
Operating profit (loss) ³	717,471	152,336	(312,951)	(55,767)	124,247	18,772	8,129	-	652,237
Depreciation and amortization	150,983	69,926	44,496	108,430	66,228	142,206	29,628	-	611,897

Six-month period ended June 30, 2019									
<i>(in millions of Korean won)</i>	H&A	HE	MC	VS	BS	Innotek	Other segments¹	Inter-segment transactions²	Total
Sales	11,568,737	6,107,781	3,123,640	2,770,065	3,145,963	2,890,955	1,413,756	(476,569)	30,544,328
External sales	11,547,911	6,106,324	3,121,961	2,770,029	3,141,851	2,564,621	1,291,631	-	30,544,328
Internal sales	20,826	1,457	1,679	36	4,112	326,334	122,125	(476,569)	-
Operating profit (loss) ³	1,445,057	399,608	(516,423)	(71,140)	292,193	7,359	(3,778)	-	1,552,876
Depreciation and amortization	303,201	137,484	85,608	212,990	135,136	281,372	58,078	-	1,213,869

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¹ Other segments include operating segments that are not qualified as reportable segments and departments that support the operating segments and R&D.

² Sales between segments are accounted on terms equivalent to those that prevail in arm's length transactions.

³ Other income or expenses items not included in the operating profit (loss) are not separately disclosed because the Chief Operating Decision Maker does not review them by segment.

(b) Segment assets and liabilities as at June 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2020		December 31, 2019	
	Assets	Liabilities	Assets	Liabilities
H&A	19,743,820	10,981,949	18,401,578	10,601,109
HE	10,611,968	7,841,721	11,469,932	8,630,475
MC	3,963,014	7,537,087	3,909,919	7,009,620
VS	6,257,593	6,864,782	6,076,567	6,293,054
BS	5,388,655	3,966,553	5,118,346	3,904,482
Innotek	5,738,909	3,445,414	5,770,780	3,566,176
Subtotal¹	51,703,959	40,637,506	50,747,122	40,004,916
Other segments and inter-segment transactions	(6,933,804)	(13,226,142)	(5,887,247)	(11,570,179)
Total	44,770,155	27,411,364	44,859,875	28,434,737

¹ The amounts of assets and liabilities of each segment are before inter-company elimination, and common assets and liabilities are allocated based on the operations of the segments.

(c) Non-current assets by geographic area as at June 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	Non-current assets ¹	
	June 30, 2020	December 31, 2019
Geographic areas		
Korea	12,178,355	12,044,015
China	1,019,920	1,061,738
Asia	1,038,314	1,050,815
North America	1,368,516	1,305,270
Europe	1,334,289	1,287,997
South America	108,180	144,053
Middle East & Africa	119,497	119,002
Russia and others	162,399	184,792
Total	17,329,470	17,197,682

¹ Non-current assets consist of property, plant and equipment, intangible assets and investment properties.

(d) There is no external customer contributing to more than 10% of net sales for the six-month periods ended June 30, 2020 and 2019.

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5. Financial Instruments by Category

(a) Categorizations of financial instruments as at June 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2020				
	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Other	Total
Cash and cash equivalents	5,464,763	-	-	-	5,464,763
Deposits held by financial institutions	185,482	-	-	-	185,482
Trade receivables	5,271,541	396,556	-	-	5,668,097
Other receivables	998,556	-	-	-	998,556
Other financial assets	1,612	87,626	34,346	9,628	133,212
Total	11,921,954	484,182	34,346	9,628	12,450,110

<i>(in millions of Korean won)</i>	June 30, 2020			
	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Other	Total
Trade payables	6,250,794	-	-	6,250,794
Borrowings	10,627,188	-	-	10,627,188
Lease liabilities	-	-	807,747	807,747
Other payables	2,761,959	-	-	2,761,959
Other financial liabilities	-	10,369	150,244	160,613
Total	19,639,941	10,369	957,991	20,608,301

<i>(in millions of Korean won)</i>	December 31, 2019				
	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Other	Total
Cash and cash equivalents	4,777,368	-	-	-	4,777,368
Deposits held by financial institutions	105,339	-	-	-	105,339
Trade receivables	5,747,968	612,320	-	-	6,360,288
Other receivables	1,077,107	-	-	-	1,077,107
Other financial assets	1,612	69,762	25,867	4,400	101,641
Total	11,709,394	682,082	25,867	4,400	12,421,743

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December 31, 2019				
<i>(in millions of Korean won)</i>	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Other	Total
Trade payables	6,820,644	-	-	6,820,644
Borrowings	10,487,338	-	-	10,487,338
Lease liabilities	-	-	771,424	771,424
Other payables	3,319,986	-	-	3,319,986
Other financial liabilities	-	14,345	100,803	115,148
Total	20,627,968	14,345	872,227	21,514,540

(b) Net gains or losses on each category of financial instruments for the six-month periods ended June 30, 2020 and 2019, are as follows:

2020					
<i>(in millions of Korean won)</i>	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Other	Total
Interest income	55,874	-	-	-	55,874
Exchange differences	181,918	9,420	-	-	191,338
Bad debt expenses	(10,070)	-	-	-	(10,070)
Loss on disposal of trade receivables	(2,573)	(3,545)	-	-	(6,118)
Dividend income	-	151	-	-	151
Gain on valuation of financial assets at fair value through profit or loss	-	-	162	-	162
Gain on derivatives (through profit or loss)	-	-	62,083	-	62,083
Fair value gain, net of tax (through other comprehensive income)	-	782	-	-	782
Loss on derivatives, net of tax (through other comprehensive income)	-	-	-	(1,196)	(1,196)

2020				
<i>(in millions of Korean won)</i>	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Other	Total
Interest expenses	(165,852)	-	(25,803)	(191,655)
Exchange differences	(427,606)	-	24,546	(403,060)
Loss on derivatives (through profit or loss)	-	(20,892)	-	(20,892)
Loss on derivatives, net of tax (through other comprehensive income)	-	-	(46,389)	(46,389)
Others	(2,339)	-	-	(2,339)

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<i>(in millions of Korean won)</i>	2019				
	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Other	Total
Interest income	68,951	-	-	-	68,951
Exchange differences	151,923	(1,041)	-	-	150,882
Bad debt expenses	(21,863)	-	-	-	(21,863)
Loss on disposal of trade receivables	(3,530)	(5,663)	-	-	(9,193)
Dividend income	-	262	273	-	535
Gain on valuation of financial assets at fair value through profit or loss	-	-	149	-	149
Loss on disposal of financial assets at fair value through other comprehensive income	-	(206)	-	-	(206)
Gain on derivatives (through profit or loss)	-	-	21,399	-	21,399
Fair value gain, net of tax (through other comprehensive income)	-	8,849	-	-	8,849
Loss on derivatives, net of tax (through other comprehensive income)	-	-	-	(711)	(711)

<i>(in millions of Korean won)</i>	2019			
	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Other	Total
Interest expenses	(194,440)	-	(11,175)	(205,615)
Exchange differences	(178,092)	-	19,536	(158,556)
Loss on derivatives (through profit or loss)	-	(36,932)	-	(36,932)
Loss on derivatives, net of tax (through other comprehensive income)	-	-	(33,252)	(33,252)
Others	(2,028)	-	-	(2,028)

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6. Trade Receivables and Other Receivables

(a) Trade receivables and other receivables, net of allowance for doubtful accounts, as at June 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2020			December 31, 2019		
	Original amount	Allowance for doubtful accounts	Carrying amount	Original amount	Allowance for doubtful accounts	Carrying amount
Trade receivables	5,783,508	(115,411)	5,668,097	6,471,588	(111,300)	6,360,288
Other receivables						
Current	574,651	(17,132)	557,519	655,673	(16,523)	639,150
Non-current	442,139	(1,102)	441,037	438,545	(588)	437,957

(b) Movements in allowance for doubtful accounts for the six-month periods ended June 30, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020				
	At January 1	Addition	Write-off	Other	At June 30
Trade receivables	111,300	6,003	(3,032)	1,140	115,411
Other receivables					
Current	16,523	3,550	-	(2,941)	17,132
Non-current	588	517	-	(3)	1,102

<i>(in millions of Korean won)</i>	2019				
	At January 1	Addition	Write-off	Other	At June 30
Trade receivables	91,015	21,161	(3,109)	2,300	111,367
Other receivables					
Current	12,893	615	(110)	369	13,767
Non-current	78	87	-	2	167

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(c) The aging analysis of trade receivables and other receivables as at June 30, 2020 and December 31, 2019, is as follows:

<i>(in millions of Korean won)</i>	June 30, 2020				December 31, 2019			
	Trade receivables	Other receivables		Total	Trade receivables	Other receivables		Total
		Current	Non-current			Current	Non-current	
Receivables not past due	4,939,585	548,595	429,279	5,917,459	5,597,436	622,192	421,649	6,641,277
Past due but not impaired								
Up to 6 months	584,229	7,181	7,645	599,055	634,275	15,934	13,460	663,669
7 to 12 months	35,337	755	2,074	38,166	20,937	568	1,844	23,349
Over 1 year	29,496	4,191	3,141	36,828	20,414	4,081	1,592	26,087
Subtotal	649,062	12,127	12,860	674,049	675,626	20,583	16,896	713,105
Impaired	194,861	13,929	-	208,790	198,526	12,898	-	211,424
Total	5,783,508	574,651	442,139	6,800,298	6,471,588	655,673	438,545	7,565,806

(d) There are no financial assets transferred but not derecognized in their entirety, nor any associated liabilities recognized at the end of the reporting period.

7. Other Financial Assets and Liabilities

(a) Details of other financial assets and liabilities as at June 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2020	December 31, 2019
Other financial assets		
Derivatives	21,091	6,943
Financial assets at fair value through other comprehensive income	87,626	69,762
Financial assets at fair value through profit or loss	22,883	23,324
Financial assets at amortized cost	1,612	1,612
Total	133,212	101,641
Current	15,746	5,138
Non-current	117,466	96,503
Other financial liabilities		
Derivatives	160,561	115,013
Financial guarantee liability	52	135
Total	160,613	115,148
Current	3,706	7,175
Non-current	156,907	107,973

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(b) Details of derivatives as at June 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2020		December 31, 2019	
	Assets	Liabilities	Assets	Liabilities
Current				
Currency forward	7,672	2,689	2,543	7,060
Cross-currency swap	8,074	971	2,595	-
Subtotal	15,746	3,660	5,138	7,060
Non-current				
Cross-currency swap	5,345	14,770	1,805	8,703
Interest rate swap	-	142,131	-	99,250
Subtotal	5,345	156,901	1,805	107,953
Total	21,091	160,561	6,943	115,013

The details of major derivative contracts at the end of the reporting period are presented in Note 32.

(c) Changes in carrying amount of financial assets at fair value through other comprehensive income for the six-month periods ended June 30, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020					
	At January 1	Acquisition	Disposal	Valuation	Other	At June 30
Listed equity securities	18,638	-	-	816	350	19,804
Unlisted equity securities	51,124	16,090	(166)	-	774	67,822
Total	69,762	16,090	(166)	816	1,124	87,626

<i>(in millions of Korean won)</i>	2019					
	At January 1	Acquisition	Disposal	Valuation	Other	At June 30
Listed equity securities	20,463	-	-	(864)	212	19,811
Unlisted equity securities	34,055	12,505	(10,266)	10,230	603	47,127
Debt securities	1,552	-	(1,587)	(21)	56	-
Total	56,070	12,505	(11,853)	9,345	871	66,938

(d) Changes in carrying amount of financial assets at fair value through profit or loss for the six-month periods ended June 30, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020					
	At January 1	Acquisition	Disposal	Valuation	Other	At June 30
Unlisted equity securities	21,572	2,384	(3,054)	486	-	21,388
Debt securities	1,752	-	-	(324)	67	1,495
Total	23,324	2,384	(3,054)	162	67	22,883

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<i>(in millions of Korean won)</i>	2019					
	At January 1	Acquisition	Disposal	Valuation	Other	At June 30
Unlisted equity securities	18,488	3,098	(156)	12	37	21,479
Debt securities	1,611	-	-	137	52	1,800
Total	20,099	3,098	(156)	149	89	23,279

(e) Financial assets at amortized cost

i) Maturity analysis of financial assets at amortized cost as at June 30, 2020 and December 31, 2019, is as follows:

<i>(in millions of Korean won)</i>	June 30, 2020	December 31, 2019
Within one year	-	-
One to five years	1,612	1,612
Total	1,612	1,612

ii) The amount recognized as interest income in relation to financial assets at amortized cost for the six-month period ended June 30, 2020, was ₩14 million (June 30, 2019: ₩15 million). No impairment losses were recognized in relation to financial assets at amortized cost for the six-month periods ended June 30, 2020 and 2019.

8. Inventories

Inventories as at June 30, 2020 and December 31, 2019, consist of:

<i>(in millions of Korean won)</i>	June 30, 2020			December 31, 2019		
	Cost	Valuation allowance	Carrying amount	Cost	Valuation allowance	Carrying amount
Finished products and merchandise	3,440,670	(87,914)	3,352,756	3,477,772	(119,958)	3,357,814
Work-in-process	380,927	(7,221)	373,706	376,397	(12,665)	363,732
Raw materials and supplies	2,164,054	(102,248)	2,061,806	2,039,659	(138,212)	1,901,447
Other	279,905	(33,436)	246,469	280,725	(40,300)	240,425
Total	6,265,556	(230,819)	6,034,737	6,174,553	(311,135)	5,863,418

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9. Contract Assets and Contract Liabilities

(a) Contract assets as at June 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2020	December 31, 2019
Due from customers	619,682	614,294
(Less: allowance for doubtful accounts)	(7,505)	(9,769)
Right to recover returned products	87,939	88,312
Costs to fulfill contracts and others	196,727	184,658
Total	896,843	877,495
Current	681,122	671,519
Non-current	215,721	205,976

(b) Contract liabilities as at June 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2020	December 31, 2019
Expected promotional incentives for customers	818,182	775,117
Expected returns from customers	133,500	133,539
Customer loyalty program	79,588	70,033
Rendering of warranty services	58,359	58,733
Due to customers and others	357,484	209,993
Total	1,447,113	1,247,415
Current	1,368,439	1,219,507
Non-current	78,674	27,908

(c) Revenue recognized in relation to contract liabilities for the six-month periods ended June 30, 2020 and 2019, is as follows:

<i>(in millions of Korean won)</i>	2020	2019
Revenue recognized that was included in the contract liability amount at the beginning of the period:		
Due to customers and others	108,778	164,835
Customer loyalty program	36,865	25,431
Rendering of warranty services	14,945	13,909
Total	160,588	204,175
Revenue recognized from performance obligations satisfied in previous periods	9,396	12,205

(d) Unsatisfied long-term contracts

At the end of the reporting period, the total amount of transaction price allocated to the unsatisfied or partially unsatisfied performance obligations was ₩783,061 million which were expected to be satisfied by 2024, at the latest. Also, as a practical expedient, the Group excluded performance obligation which was a part of a contract that had an original expected duration of one year or less.

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- (e) For the six-month period ended June 30, 2020, the Group recognized a reversal of impairment loss amounting to ₩3,479 million (June 30, 2019: impairment loss of ₩5,027 million) in relation to due from customers, and amortization and other costs of ₩32,193 million (June 30, 2019: ₩74,575 million) in relation to costs to fulfill contracts.

10. Property, Plant and Equipment, and Intangible Assets

- (a) Changes in property, plant and equipment for the six-month periods ended June 30, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020	2019
At January 1	14,505,419	14,011,212
Acquisitions	1,057,643	1,239,930
Acquisitions from business combination	-	222
Reclassification to assets held for sale	-	(26,034)
Disposals and others	(64,060)	(131,793)
Depreciation	(1,087,796)	(1,021,624)
Impairment losses	(13,150)	(3,341)
Exchange differences	54,948	173,057
At June 30	14,453,004	14,241,629

- (b) Line items including depreciation in the consolidated interim statements of profit or loss for the six-month periods ended June 30, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020	2019
Cost of sales	833,507	793,541
Selling and marketing expenses	114,314	95,204
Administrative expenses	66,948	51,789
Research and development expenses	47,692	54,361
Service costs	17,112	11,869
Other non-operating expenses	8,223	14,860
Total	1,087,796	1,021,624

- (c) Changes in right-of-use assets included in property, plant and equipment for the six-month periods ended June 30, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020	2019
At January 1	875,491	707,243
Acquisitions	202,168	278,399
Disposals and others	(17,422)	(44,588)
Depreciation	(158,824)	(144,090)
Exchange differences	3,463	13,946
At June 30	904,876	810,910

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The amount recognized as lease income in relation to sublease of the above right-of-use assets for the six-month period ended June 30, 2020, was ₩4,047 million (June 30, 2019: ₩3,060 million).

(d) Changes in intangible assets for the six-month periods ended June 30, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020	2019
At January 1	2,691,972	2,985,830
Acquisitions	163,400	116,399
Acquisitions by internal development	279,296	209,469
Acquisitions from business combination	-	77
Reclassification to assets held for sale	-	(1)
Disposals and others	(28,587)	(27,941)
Amortization	(213,940)	(206,457)
Impairment losses	(31,749)	(118,522)
Exchange differences	15,691	5,963
At June 30	2,876,083	2,964,817

(e) Line items including amortization of intangible assets in the consolidated interim statements of profit or loss for the six-month periods ended June 30, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020	2019
Cost of sales	133,481	114,690
Selling and marketing expenses	12,344	13,963
Administrative expenses	27,376	34,275
Research and development expenses	39,876	42,673
Service costs	862	846
Other non-operating expenses	1	10
Total	213,940	206,457

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11. Investments in Associates and Joint Ventures

(a) Investments in associates and joint ventures

- i) Carrying amounts of investments in associates and joint ventures, as at June 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2020	December 31, 2019
Associates	4,204,165	4,405,567
Joint ventures	55,181	138,954
Total	4,259,346	4,544,521

- ii) Investments in associates as at June 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2020				December 31, 2019			
	Acquisition cost	Net asset amount	Unrealized gain	Carrying amount	Acquisition cost	Net asset amount	Unrealized gain	Carrying amount
LG Display Co., Ltd.	679,218	4,114,198	(109,257)	4,004,941	679,218	4,298,463	(116,170)	4,182,293
Ericsson-LG Co., Ltd.	12,649	48,802	-	48,802	12,649	52,716	-	52,716
Hitachi-LG Data Storage Inc.(HLDS)	101,961	48,643	(1,135)	47,508	101,961	49,686	(1,176)	48,510
Korea Information Certificate Authority Inc. ¹	-	-	-	-	1,745	5,518	-	5,518
One-Red, LLC ²	-	-	-	-	2,257	2,260	-	2,260
Kiwigrd GmbH ³	-	-	-	-	13,019	7,873	-	7,873
CCP-LGE OWNER, LLC ⁴	11,652	11,065	-	11,065	11,652	11,288	-	11,288
ROBOTIS Co., Ltd. ⁴	9,000	8,772	-	8,772	9,000	9,086	-	9,086
Acryl Inc. ⁴	2,000	1,590	-	1,590	2,000	1,799	-	1,799
Robostar Co., Ltd.	88,112	82,573	(1,086)	81,487	88,112	85,158	(934)	84,224
Total	904,592	4,315,643	(111,478)	4,204,165	921,613	4,523,847	(118,280)	4,405,567

¹ It was disposed during the six-month period ended June 30, 2020.

² It was liquidated during the six-month period ended June 30, 2020.

³ It was excluded from associates due to the loss of right to appoint a member of the board of directors during the six-month period ended June 30, 2020.

⁴ The financial statements as at May 31, 2020 were used due to a different closing date.

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iii) Investments in joint ventures as at June 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2020				December 31, 2019			
	Acquisition cost	Net asset amount	Unrealized gain	Carrying amount	Acquisition cost	Net asset amount	Unrealized gain	Carrying amount
LG HOLDINGS (HK) LIMITED ¹	-	-	-	-	47,449	88,301	-	88,301
Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	14,718	34,955	(401)	34,554	14,718	31,396	(63)	31,333
EIC PROPERTIES PTE LTD.	9,636	15,828	-	15,828	9,636	15,696	-	15,696
LG-MRI LLC	516	1,098	(9)	1,089	516	1,216	-	1,216
Neolite ZKW Lightings PVT Ltd.	-	-	-	-	-	-	-	-
LG-LHT Aircraft Solutions GmbH	8,262	1,436	-	1,436	5,085	243	-	243
LG-LHT Passenger Solutions GmbH	6,860	1,386	-	1,386	4,553	1,600	-	1,600
GUANGDONG SMART LIFE TECHNOLOGY CO., LTD	891	888	-	888	591	565	-	565
Total	40,883	55,591	(410)	55,181	82,548	139,017	(63)	138,954

¹ It was disposed during the six-month period ended June 30, 2020.

(b) Associates and joint ventures

i) Associates as at June 30, 2020, are as follows:

Name of associate	Location	Closing month	Percentage of ownership (%)	Nature of relationships with the Group
LG Display Co., Ltd.	Korea	December	37.9	Production and supply of display products
Ericsson-LG Co., Ltd.	Korea	December	25.0	Supply of communication devices and network solution products
Hitachi-LG Data Storage Inc.(HLDS)	Japan	December	49.0	Production and supply of data storages
CCP-LGE OWNER, LLC ¹	USA	December	70.2	Solar power plant
ROBOTIS Co., Ltd. ²	Korea	December	8.5	Production and sales of personal robot
Acryl Inc. ²	Korea	December	14.5	Development and sales of software
Robostar Co., Ltd.	Korea	December	33.4	Production and sales of industrial robot

¹ Classified as an associate although the percentage of ownership is more than 50% because the Group does not have the right to control by an agreement with other shareholders.

² Classified as an associate although the percentage of ownership is less than 20% because the Group can exercise a significant influence in the Board of Directors of the investee.

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ii) Joint ventures as at June 30, 2020, are as follows:

All joint arrangements, over which the Group has joint control, are structured through separate companies and are categorized as joint ventures as the parties with joint control are assumed to have rights to the net assets of the arrangement.

Name of joint venture	Location	Closing month	Percentage of ownership (%)	Nature of relationships with the Group
Arcelic-LG Klima Sanayi ve Ticarta A.S.(LGEAT)	Turkey	December	50.0	Production and supply of air conditioning products
EIC PROPERTIES PTE LTD.	Singapore	December	38.2	Real estate
LG-MRI LLC	USA	December	50.0	Production and supply of digital display products
Neolite ZKW Lightings PVT Ltd.	India	March	26.0	Production and sales of vehicle components
LG-LHT Aircraft Solutions GmbH	Germany	December	49.0	Production and sales of aircraft components
LG-LHT Passenger Solutions GmbH	Germany	December	49.0	Production and sales of aircraft components
GUANGDONG SMART LIFE TECHNOLOGY CO., LTD	China	December	35.0	Sales of electronic products

iii) All associates and joint ventures are accounted for using the equity method.

(c) Changes in investments in associates and joint ventures

i) Changes in the carrying amounts of investments in associates for the six-month periods ended June 30, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020	2019
At January 1	4,405,567	5,386,252
Acquisition	-	1,000
Loss from equity method valuation	(253,563)	(238,366)
Share of other comprehensive income of associates	74,857	58,035
Withdrawal of investments by dividend / capital reduction / liquidation and others ¹	(17,570)	(307)
Disposal ²	(5,550)	-
Exchange differences	424	432
At June 30	4,204,165	5,207,046

¹ Impairment loss amounting to ₩6,859 million recognized during the six-month period ended June 30, 2020 was included.

² The Group disposed all shares of Korea Information Certificate Authority Inc. for ₩12,409 million during the six-month period ended June 30, 2020, and recognized gain on disposal of ₩6,600 million, net of related costs, in 'other non-operating income' (Note 25).

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- ii) Changes in the carrying amounts of investments in joint ventures for the six-month periods ended June 30, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020	2019
At January 1	138,954	151,304
Acquisition	5,784	7,703
Gain from equity method valuation	785	8,470
Share of other comprehensive income (loss) of joint ventures	(2,614)	2,938
Withdrawal of investments by dividend / capital reduction / liquidation and others	(349)	(337)
Disposal ¹	(87,413)	-
Exchange differences	34	27
At June 30	55,181	170,105

¹ The Group disposed all shares of LG HOLDINGS (HK) LIMITED for ₩722,086 million during the six-month period ended June 30, 2020, and recognized gain on disposal of ₩640,124 million, net of related costs, in 'other non-operating income' (Note 25). The amount reclassified from accumulated other comprehensive income and included in gain on disposal was ₩7,593 million. ₩67,602 million of proceeds from the disposal are deposited in a financial institution to pay foreign withholding taxes.

- (d) Summarized financial information of the associates that are material to the reporting entity as at June 30, 2020 and December 31, 2019, and for the three-month and six-month periods ended June 30, 2020 and 2019, is as follows:

- LG Display Co., Ltd. and its subsidiaries

<i>(in millions of Korean won)</i>	June 30, 2020	December 31, 2019
Current assets	9,826,257	10,248,315
Non-current assets	25,227,997	25,326,248
Total assets	35,054,254	35,574,563
Current liabilities	11,160,360	10,984,976
Non-current liabilities	11,793,121	12,101,306
Total liabilities	22,953,481	23,086,282
Equity attributable to the owners of LG Display Co., Ltd.	10,854,375	11,340,483
Non-controlling interests	1,246,398	1,147,798
Total equity	12,100,773	12,488,281

<i>(in millions of Korean won)</i>	2020		2019	
	Three months	Six months	Three months	Six months
Net sales	5,307,021	10,031,270	5,353,410	11,232,191
Loss for the period	(503,830)	(702,727)	(550,180)	(612,820)
Attributable to the owners of LG Display Co., Ltd.				
Loss for the period	(489,121)	(688,112)	(548,377)	(609,310)
Other comprehensive income (loss), net of tax	(25,731)	201,587	588	153,303
Total comprehensive loss, net of tax	(514,852)	(486,525)	(547,789)	(456,007)

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There are no dividends received from LG Display Co., Ltd. for the six-month period ended June 30, 2020 (June 30, 2019: nil).

- (e) Reconciliations of the summarized financial information of associates that are material to the reporting entity to the carrying amount of the Group's interest for the six-month periods ended June 30, 2020 and 2019, are as follows:

- LG Display Co., Ltd. and its subsidiaries

<i>(in millions of Korean won)</i>	2020	2019
Opening equity attributable to owners of LG Display Co., Ltd.	11,340,483	13,979,188
Loss for the period	(688,112)	(609,310)
Other comprehensive income, net of tax	201,587	153,303
Other equity changes	417	-
Dividends	-	-
Closing equity attributable to owners of LG Display Co., Ltd.	10,854,375	13,523,181
Group ownership (%)	37.9	37.9
The Group's share at the end of the reporting period	4,114,198	5,125,771
Unrealized gain	(109,257)	(120,841)
Carrying amount at the end of the reporting period	4,004,941	5,004,930

- (f) The Group's share in the operating results of the individually insignificant associates and joint ventures for the three-month and six-month periods ended June 30, 2020 and 2019, is as follows:

<i>(in millions of Korean won)</i>	2020			
	Associates		Joint ventures	
	Three months	Six months	Three months	Six months
Profit for the period	3,240	467	2,204	1,137
Other comprehensive loss, net of tax	(87)	(1,709)	(1,882)	(10,211)
Total comprehensive income (loss), net of tax	3,153	(1,242)	322	(9,074)

<i>(in millions of Korean won)</i>	2019			
	Associates		Joint ventures	
	Three months	Six months	Three months	Six months
Profit for the period	4,765	6,581	6,207	9,039
Other comprehensive income (loss), net of tax	(356)	(121)	(478)	2,931
Total comprehensive income, net of tax	4,409	6,460	5,729	11,970

- (g) There are no accumulated unrecognized changes in equity due to discontinued use of the equity method as at June 30, 2020 and December 31, 2019.

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(h) Details of marketable investments in associates as at June 30, 2020 and December 31, 2019, are as follows:

June 30, 2020					
	Type	Shares held (Unit: shares)	Price per share (in Korean won)	Fair value (in millions of Korean won)	Book amount
LG Display Co., Ltd.	Associate	135,625,000	11,350	1,539,344	4,004,941
Robostar Co., Ltd.	Associate	3,256,500	14,650	47,708	81,487
ROBOTIS Co., Ltd.	Associate	961,550	12,200	11,731	8,772

December 31, 2019					
	Type	Shares held (Unit: shares)	Price per share (in Korean won)	Fair value (in millions of Korean won)	Book amount
LG Display Co., Ltd.	Associate	135,625,000	16,250	2,203,906	4,182,293
Korea Information Certificate Authority Inc.	Associate	2,010,247	3,785	7,609	5,518
Robostar Co., Ltd.	Associate	3,256,500	17,400	56,663	84,224
ROBOTIS Co., Ltd.	Associate	961,550	12,400	11,923	9,086

12. Borrowings

(a) Carrying amounts of borrowings as at June 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2020	December 31, 2019
Current		
Short-term borrowings	320,357	271,541
Current portion of long-term borrowings	474,000	410,329
Current portion of debentures	983,462	961,786
Subtotal	1,777,819	1,643,656
Non-current		
Long-term borrowings	4,154,262	3,908,525
Debentures	4,695,107	4,935,157
Subtotal	8,849,369	8,843,682
Total	10,627,188	10,487,338

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(b) Details of borrowings as at June 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	Latest maturity date	Annual interest rate at June 30, 2020(%)	Carrying amount	
			June 30, 2020	December 31, 2019
Short-term borrowings in local currency				
Nonghyup Bank and others	-	2.69 ~ 3.53	2,884	28,000
Short-term borrowings in foreign currency				
Citibank and others	-	0.65 ~ 5.98	317,473	243,541
Long-term borrowings in local currency				
Korea Development Bank and others	2035. 1. 9	1.61 ~ 3.79	3,092,834	2,914,870
Long-term borrowings in foreign currency				
KEB Hana Bank and others	2030. 8. 1	0.75 ~ 3.97	1,535,428	1,403,984
Local currency debentures				
Public, non-guaranteed bonds	2035. 2.25	1.62 ~ 4.44	4,170,000	4,230,000
Private, non-guaranteed bonds	2038. 4. 3	1.99 ~ 4.21	930,000	1,110,000
Foreign currency debentures				
Private, non-guaranteed bonds	2028. 6. 8	0.95 ~ 1.91	396,231	382,074
Private, guaranteed bonds	2026.10.26	0.32 ~ 2.89	195,054	187,634
Less: discount on debentures			(12,716)	(12,765)
Total			10,627,188	10,487,338

The Group entered into interest rate swap and cross-currency swap contracts to hedge cash flow risk related to floating interest rate and foreign exchange rate of some portion of borrowings (Note 32).

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13. Lease Liabilities

(a) Details of lease liabilities as at June 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2020	December 31, 2019
Lease liabilities		
Current	274,718	274,245
Non-current	533,029	497,179
Total	807,747	771,424

(b) The amounts, relating to leases, recognized in the consolidated interim statements of profit or loss for the six-month periods ended June 30, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020	2019
Interest expense relating on lease liabilities	15,032	11,413
Short-term lease payments (included in cost of sales, selling and marketing expenses, administrative expenses, and others)	27,877	75,967
Payments for leases of low-value assets that are not short-term leases (included in cost of sales, selling and marketing expenses, administrative expenses, and others)	17,769	11,170

Total expenses for leases including short-term leases and leases of low-value assets for the six-month period ended June 30, 2020, are ₩205,234 million (June 30, 2019: ₩249,289 million).

14. Post-employment Benefits

Defined Benefit Plan

(a) The amounts of net defined benefit liabilities as at June 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2020	December 31, 2019
Present value of funded obligations	3,764,575	3,567,014
Present value of unfunded obligations	44,688	61,713
Subtotal	3,809,263	3,628,727
Fair value of plan assets	(2,997,520)	(3,035,798)
Net defined benefit liabilities¹	811,743	592,929

¹ Net defined benefit assets are included.

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(b) The amounts recognized in the consolidated interim statements of profit or loss for the six-month periods ended June 30, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020	2019
Current service cost	194,990	185,331
Past service cost	-	(11,847)
Net interest cost	6,911	5,461
Operating management cost	1,346	1,576
Total	203,247	180,521

(c) Line items in which expenses are included for the six-month periods ended June 30, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020	2019
Cost of sales	100,727	86,006
Selling and marketing expenses	32,217	29,620
Administrative expenses	12,711	13,565
Research and development expenses	43,151	44,218
Service costs	14,441	7,112
Total	203,247	180,521

(d) Movements in the present value of defined benefit obligations for the six-month periods ended June 30, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020	2019
At January 1	3,628,727	3,215,859
Current service cost	194,990	185,331
Past service cost	-	(11,847)
Interest expense	40,693	40,708
Remeasurements for:		
- Actuarial loss arising from changes in demographic assumptions	-	95,591
- Actuarial loss arising from changes in financial assumptions	48,162	103,225
Benefits paid	(102,640)	(127,912)
Reduction due to settlement of plan	-	(22,050)
Others ¹	(669)	2,976
At June 30	3,809,263	3,481,881

¹ The effects of exchange rate changes are included.

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(e) Movements in the fair value of plan assets for the six-month periods ended June 30, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020	2019
At January 1	3,035,798	2,818,190
Interest income	33,782	35,247
Remeasurements of plan assets	(1,932)	(5,436)
Employer contributions	5,261	5,034
Benefits paid	(73,985)	(98,471)
Reduction due to settlement of plan	-	(21,447)
Operating management cost	(1,346)	(1,576)
Others ¹	(58)	459
At June 30	2,997,520	2,732,000

¹ The effects of exchange rate changes are included.

(f) The significant actuarial assumptions used as at June 30, 2020 and December 31, 2019, are as follows:

	June 30, 2020	December 31, 2019
Weighted average discount rate of the Group	2.2%	2.3%
Weighted average expected salary growth rate of the Group	4.9%	4.9%

As at June 30, 2020, the discount rates applied to the Parent Company and subsidiaries are between 0.2%~8.1% (December 31, 2019: 0.2%~8.0%), and the expected salary growth rates are between 1.0%~10.0% (December 31, 2019: 1.0%~10.0%).

(g) The sensitivity analysis of the defined benefit obligation to changes in principal assumptions as at June 30, 2020, is as follows:

<i>(in millions of Korean won)</i>	1%p increase	1%p decrease
Discount rate	(333,060)	386,248
Expected salary growth rate	366,416	(333,951)

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. The sensitivity of the defined benefit obligation to changes in principal actuarial assumptions is calculated using the projected unit credit method, the same method applied when calculating the defined benefit obligations.

Defined Contribution Plan

The expense recognized for the six-month period ended June 30, 2020 in relation to the defined contribution plan was ₩6,865 million (June 30, 2019: ₩10,648 million).

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15. Provisions

(a) Changes in provisions for the six-month periods ended June 30, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020			
	Warranty	Restoration	Litigation and others	Total
At January 1	878,555	38,444	166,001	1,083,000
Additional provisions, net ¹	246,890	2,351	22,260	271,501
Utilizations	(376,444)	(745)	(16,697)	(393,886)
Exchange differences	1,858	89	(6,368)	(4,421)
At June 30	750,859	40,139	165,196	956,194
Current	670,091	4,787	5,952	680,830
Non-current	80,768	35,352	159,244	275,364

<i>(in millions of Korean won)</i>	2019			
	Warranty	Restoration	Litigation and others	Total
At January 1	740,839	39,013	214,374	994,226
Additional provisions, net ¹	362,666	1,853	10,687	375,206
Utilizations	(353,514)	(675)	(24,483)	(378,672)
Exchange differences	12,647	457	5,486	18,590
At June 30	762,638	40,648	206,064	1,009,350
Current	668,280	18,945	9,071	696,296
Non-current	94,358	21,703	196,993	313,054

¹ Net amount of additional provisions equals to additional provisions less reversed amounts.

16. Paid-in Capital

(a) At the end of the reporting period, the number of shares authorized is 600 million.

	Par value per share	June 30, 2020		December 31, 2019	
		Number of shares issued	Amount (in millions of Korean won)	Number of shares issued	Amount (in millions of Korean won)
Ordinary shares	5,000	163,647,814	818,239	163,647,814	818,239
Preferred shares	5,000	17,185,992	85,930	17,185,992	85,930
Total		180,833,806	904,169	180,833,806	904,169

The preferred shareholders have no voting rights and are entitled to preferred dividends at a rate of one percentage point over that of ordinary shares. This preferred dividend rate is not applicable to stock dividends. In addition, the preferred shareholders have same rights on the remaining assets as ordinary shareholders. Repayment and conversion are not applicable to preferred shares.

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- (b) Share premium balance as at June 30, 2020, is ₩3,088,179 million. The share premium of ₩1,876,153 million was recognized, which is ₩2,815,707 million of the carrying amount of net assets acquired from the entity split-off back on April 1, 2002, less the Parent Company's capital of ₩783,961 million and less the Parent Company's capital adjustment of ₩155,593 million. In addition, the amount of ₩331,766 million paid in excess of par value due to issuance of ordinary shares (merger with LG IBMPC Co., Ltd.) and the exercise of conversion right and warrants in 2005 and 2006 are included. The excess in paid-in capital amounting to ₩880,260 million over the par value was recognized as the share premium due to the issuance of ordinary shares in 2011.

17. Retained Earnings

Retained earnings as at June 30, 2020 and December 31, 2019, consist of:

<i>(in millions of Korean won)</i>	June 30, 2020	December 31, 2019
Legal reserve ¹	209,527	195,933
Discretionary reserve	4,660,572	5,128,769
Unappropriated retained earnings ²	7,896,192	6,532,600
Total	12,766,291	11,857,302

¹ The Commercial Code of the Republic of Korea requires the Parent Company to appropriate, as a legal reserve, an amount equal to a minimum of 10% of cash dividends paid until such reserve equals 50% of its issued share capital. The reserve is not available for the payment of cash dividends, but may be transferred to share capital or used to reduce accumulated deficit.

² Dividend for the year ended December 31, 2019 of ₩135,909 million was approved at the annual general meeting held on March 26, 2020, and paid in April 2020 (2019 payments: ₩135,909 million).

18. Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss as at June 30, 2020 and December 31, 2019, consists of:

<i>(in millions of Korean won)</i>	June 30, 2020	December 31, 2019
Share of accumulated other comprehensive loss of associates and joint ventures	(100,058)	(165,755)
Cash flow hedge	(136,942)	(91,295)
Financial assets at fair value through other comprehensive income	983	(34)
Exchange difference on translation of foreign operations	(1,118,602)	(1,052,717)
Total	(1,354,619)	(1,309,801)

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19. Other Components of Equity

Other components of equity as at June 30, 2020 and December 31, 2019, consist of:

<i>(in millions of Korean won)</i>	June 30, 2020	December 31, 2019
Treasury shares ¹	(44,893)	(44,893)
Consideration for conversion rights	9,891	9,891
Gain on disposal of treasury shares	2,183	2,183
Capital transactions within the Group and others	(176,945)	(176,945)
Total	(209,764)	(209,764)

¹ The Parent Company has treasury shares consisting of 763,174 ordinary shares (December 31, 2019: 763,173 shares) and 4,692 preferred shares (December 31, 2019: 4,692 shares) at the end of the reporting period. The Parent Company intends to either grant these treasury shares to employees and directors as compensation or to sell them in the future.

20. Net Sales

(a) Details of net sales for the three-month and six-month periods ended June 30, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020		2019	
	Three months	Six months	Three months	Six months
Revenue from contracts with customers:				
Sales of goods	12,390,581	26,698,426	15,185,794	29,706,966
Rendering of services	269,677	525,573	284,878	544,383
Royalty income	27,369	52,250	46,986	77,341
Subtotal	12,687,627	27,276,249	15,517,658	30,328,690
Revenue from other sources:				
Rental income and others	146,200	285,381	111,606	215,638
Total	12,833,827	27,561,630	15,629,264	30,544,328

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(b) Details of revenue from contracts with customers for the six-month periods ended June 30, 2020 and 2019, are as follows:

(in millions of Korean won)	2020								Total
	H&A	HE	MC	VS	BS	Innotek	Other segments	Inter-segment transactions	
Revenue from contracts with customers:									
External sales	10,268,940	5,220,024	2,305,395	2,226,268	3,012,373	3,328,825	914,424	-	27,276,249
Internal sales	25,422	1,252	956	-	892	221,532	105,140	(355,194)	-
	<u>10,294,362</u>	<u>5,221,276</u>	<u>2,306,351</u>	<u>2,226,268</u>	<u>3,013,265</u>	<u>3,550,357</u>	<u>1,019,564</u>	<u>(355,194)</u>	<u>27,276,249</u>
By type of products:									
Refrigerator/ washing machine/ air conditioner and others	8,488,924	-	-	-	-	-	-	(123)	8,488,801
TV	-	4,896,460	-	-	-	-	-	(437)	4,896,023
Mobile communications	-	-	2,306,351	-	-	-	-	(956)	2,305,395
In-vehicle infotainment	-	-	-	1,371,547	-	-	-	-	1,371,547
Monitor/PC and others	-	-	-	-	2,099,184	-	-	(841)	2,098,343
Camera module	-	-	-	-	-	2,263,858	-	(70,261)	2,193,597
Others	1,805,438	324,816	-	854,721	914,081	1,286,499	1,019,564	(282,576)	5,922,543
By major geographical market ¹ :									
Korea	3,655,071	526,282	395,164	374,911	992,116	3,394,044	1,019,564	(318,103)	10,039,049
North America	2,586,853	1,204,241	1,428,727	421,331	843,790	7,194	-	(246)	6,491,890
Asia	1,712,658	682,818	124,371	118,912	265,895	17,748	-	(14,127)	2,908,275
Europe	707,328	1,438,810	102,153	1,043,237	491,956	34,139	-	(371)	3,817,252
South America	324,461	609,146	242,402	13,316	106,431	-	-	-	1,295,756
Middle East & Africa	637,118	434,241	5,913	1,694	50,881	-	-	(53)	1,129,794
China	348,864	49,605	7,324	252,867	217,406	97,232	-	(22,285)	951,013
Russia and others	322,009	276,133	297	-	44,790	-	-	(9)	643,220
Timing of transfer:									
Transferred at a point in time	10,055,434	5,142,357	2,235,015	2,156,697	2,996,446	3,550,357	459,251	(252,329)	26,343,228
Transferred over time	238,928	78,919	71,336	69,571	16,819	-	560,313	(102,865)	933,021

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<i>(in millions of Korean won)</i>	2019								Total
	H&A	HE	MC	VS	BS	Innotek	Other segments	Inter-segment transactions	
Revenue from contracts with customers:									
External sales	11,339,433	6,099,883	3,120,563	2,769,497	3,138,757	2,564,418	1,296,139	-	30,328,690
Internal sales	20,826	1,396	1,668	36	4,110	326,328	119,261	(473,625)	-
	<u>11,360,259</u>	<u>6,101,279</u>	<u>3,122,231</u>	<u>2,769,533</u>	<u>3,142,867</u>	<u>2,890,746</u>	<u>1,415,400</u>	<u>(473,625)</u>	<u>30,328,690</u>
By type of products:									
Refrigerator/ washing machine/ air conditioner and others	9,725,492	-	-	-	-	-	-	(4,164)	9,721,328
TV	-	5,583,422	-	-	-	-	-	(1,369)	5,582,053
Mobile communications	-	-	3,122,231	-	-	-	-	(1,668)	3,120,563
In-vehicle infotainment	-	-	-	1,604,018	-	-	-	(36)	1,603,982
Monitor/PC and others	-	-	-	-	2,296,669	-	-	(4,111)	2,292,558
Camera module	-	-	-	-	-	1,496,120	-	(131,098)	1,365,022
Others	1,634,767	517,857	-	1,165,515	846,198	1,394,626	1,415,400	(331,179)	6,643,184
By major geographical market ¹ :									
Korea	4,096,952	582,620	772,848	476,917	1,067,614	2,712,596	1,382,071	(442,619)	10,648,999
North America	2,468,225	1,404,898	1,809,839	566,367	772,409	3,307	-	(144)	7,024,901
Asia	2,125,071	824,956	87,670	112,625	395,088	18,193	2	(15,081)	3,548,524
Europe	699,106	1,489,892	96,898	1,321,269	567,305	13,837	-	(311)	4,187,996
South America	438,873	892,744	308,737	33,924	137,207	-	2	(4)	1,811,483
Middle East & Africa	666,654	502,984	16,003	290	66,982	-	1	(73)	1,252,841
China	548,978	113,719	28,829	258,141	70,981	142,813	33,324	(15,391)	1,181,394
Russia and others	316,400	289,466	1,407	-	65,281	-	-	(2)	672,552
Timing of transfer:									
Transferred at a point in time	11,167,571	6,049,277	3,061,219	2,701,858	3,126,380	2,890,746	303,848	(363,541)	28,937,358
Transferred over time	192,688	52,002	61,012	67,675	16,487	-	1,111,552	(110,084)	1,391,332

¹ Sales by major geographical market are the sales by region in which the Group is located.

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(c) Changes in the estimates of total contract revenue and total contract costs

Due to the factors causing the changes in the costs of VS and other segments during the six-month period ended June 30, 2020, the estimated total contract revenue and costs for contracts in progress have changed. Details of changes in estimated total contract revenue and costs and the impact on profit or loss for the six-month period ended June 30, 2020 and the succeeding periods are as follows:

<i>(in millions of Korean won)</i>	Changes in estimated total contract revenue	Changes in estimated total contract cost	Impact on profit or loss for the period ended June 30, 2020	Impact on profit or loss for the succeeding periods
VS	52,318	64,892	(9,098)	(3,476)
Other segments	29,524	13,112	7,291	9,121
Total	81,842	78,004	(1,807)	5,645

21. Expenses by Nature

Expenses that are recorded by nature for the three-month and six-month periods ended June 30, 2020 and 2019, consist of:

<i>(in millions of Korean won)</i>	2020		2019	
	Three months	Six months	Three months	Six months
Changes in finished goods and work-in-process	174,425	(10,274)	(80,100)	(227,446)
Raw materials and merchandise used	6,896,814	15,505,524	9,218,773	18,203,109
Employee benefit expense	2,081,438	4,005,606	2,015,693	3,855,175
Depreciation and amortization	650,707	1,293,516	611,897	1,213,869
Advertising expense	194,087	367,942	344,538	510,934
Promotion expense	133,563	275,760	216,335	371,297
Freight expense	392,587	816,569	440,988	859,674
Commission expense	859,003	1,742,069	899,444	1,711,834
Other expenses	955,766	1,979,077	1,309,459	2,493,006
Total¹	12,338,390	25,975,789	14,977,027	28,991,452

¹ Cost of sales, selling and marketing expenses, administrative expenses, research and development expenses and service costs are included.

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22. General Operating Expenses (Selling and Marketing Expenses, Administrative Expenses, Research and Development Expenses and Service Costs)

Details of general operating expenses for the three-month and six-month periods ended June 30, 2020 and 2019, are as follows:

<i>(in millions of Korean won)</i>	2020		2019	
	Three months	Six months	Three months	Six months
Salaries	821,874	1,548,226	820,345	1,559,722
Post-employment benefits	59,060	115,598	49,365	99,847
Employee welfare benefits	173,638	341,526	183,410	331,912
Freight expense	396,046	810,374	433,470	845,050
Rental expense	21,937	45,104	39,657	79,368
Commission expense	569,180	1,180,432	627,621	1,205,609
Depreciation	124,089	246,070	107,722	213,881
Amortization	39,868	80,458	46,395	91,757
Taxes and dues	19,963	44,341	18,515	43,944
Advertising expense	194,087	367,942	344,538	510,934
Promotional expense	133,563	275,760	216,335	371,297
R&D expense	126,233	238,844	101,207	159,874
Direct service costs	73,549	165,297	121,094	278,154
Bad debts expense	583	2,524	25,692	26,188
Others	121,678	216,195	168,730	330,937
Total	2,875,348	5,678,691	3,304,096	6,148,474

23. Financial Income

Financial income for the three-month and six-month periods ended June 30, 2020 and 2019, consists of:

<i>(in millions of Korean won)</i>	2020		2019	
	Three months	Six months	Three months	Six months
Interest income	21,924	55,874	35,125	68,951
Exchange differences	34,992	276,763	31,815	135,081
Gain on derivatives	7,410	22,134	1,149	4,676
Total	64,326	354,771	68,089	208,708

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24. Financial Expenses

Financial expenses for the three-month and six-month periods ended June 30, 2020 and 2019, consist of:

<i>(in millions of Korean won)</i>	2020		2019	
	Three months	Six months	Three months	Six months
Interest expense	93,638	191,655	103,296	205,615
Exchange differences	56,696	355,859	34,552	139,711
Loss on derivatives	7,969	11,995	4,474	9,761
Loss on disposal of trade receivables	2,711	6,118	4,317	9,193
Others	1,307	2,339	914	2,028
Total	162,321	567,966	147,553	366,308

25. Other Non-operating Income

Other non-operating income for the three-month and six-month periods ended June 30, 2020 and 2019, consists of:

<i>(in millions of Korean won)</i>	2020		2019	
	Three months	Six months	Three months	Six months
Dividend income	-	151	274	535
Exchange differences	214,686	765,582	275,097	569,657
Gain on derivatives	9,872	45,843	5,581	16,871
Gain on disposal of property, plant and equipment	2,598	6,820	5,088	8,711
Gain on disposal of intangible assets	-	22	-	-
Gain on valuation of financial assets at fair value through profit or loss	486	486	(48)	149
Gain on disposal of financial assets at fair value through other comprehensive income	-	-	32	32
Gain on disposal of investments in associates and joint ventures	6,600	646,724	-	-
Others	7,027	12,653	9,885	20,086
Total	241,269	1,478,281	295,909	616,041

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26. Other Non-operating Expenses

Other non-operating expenses for the three-month and six-month periods ended June 30, 2020 and 2019, consist of:

<i>(in millions of Korean won)</i>	2020		2019	
	Three months	Six months	Three months	Six months
Exchange differences	203,706	892,277	272,328	567,421
Loss on derivatives	11,206	14,791	16,493	27,319
Loss on disposal of property, plant and equipment	13,175	23,687	13,817	34,000
Impairment loss on property, plant and equipment	10,945	13,421	1,871	3,417
Loss on disposal of intangible assets	11,001	20,859	7,399	14,625
Impairment loss on intangible assets	29,336	31,749	99,246	118,522
Loss on valuation of financial assets at fair value through profit or loss	(102)	324	-	-
Loss on disposal of financial assets at fair value through other comprehensive income	-	-	238	238
Loss on disposal of investments in associates and joint ventures	-	1,369	-	-
Impairment loss on investments in associates and joint ventures	6,859	6,859	-	-
Others	29,039	55,529	23,498	34,381
Total	315,165	1,060,865	434,890	799,923

27. Earnings per Share

The Group has no potential dilutive ordinary shares. Accordingly, basic earnings per share is identical to diluted earnings per share.

- (a) Basic earnings per ordinary share for the three-month and six-month periods ended June 30, 2020 and 2019, is as follows:

<i>(in millions of Korean won)</i>	2020		2019	
	Three months	Six months	Three months	Six months
Profit attributable to ordinary shares	50,894	978,294	82,710	598,919
<i>(in millions of Korean won)</i> Weighted average number of ordinary shares outstanding <i>(unit: shares)</i>	162,884,640	162,884,640	162,884,640	162,884,640
Basic earnings per ordinary share <i>(in Korean won)</i>	312	6,006	508	3,677

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- (b) Basic earnings per preferred share for the three-month and six-month periods ended June 30, 2020 and 2019, is as follows:

<i>(in millions of Korean won)</i>	2020		2019	
	Three months	Six months	Three months	Six months
Profit attributable to preferred shares	5,583	103,621	8,939	63,604
<i>(in millions of Korean won)</i> Weighted average number of preferred shares outstanding <i>(unit: shares)</i>	17,181,300	17,181,300	17,181,300	17,181,300
Basic earnings per preferred share <i>(in Korean won)</i>	325	6,031	520	3,702

28. Cash Flow Information

Cash flows from operating activities are presented using the indirect method. Details of cash generated from operations for the six-month periods ended June 30, 2020 and 2019, are as follows:

- (a) Cash generated from operations

<i>(in millions of Korean won)</i>	2020	2019
Profit for the period	1,152,281	683,978
Adjustments:		
Interest expense, net	135,781	136,664
Exchange differences, net	51,954	(15,165)
Loss (gain) on derivatives, net	(41,191)	15,533
Depreciation	1,087,796	1,021,624
Amortization	213,940	206,457
Loss on disposal of property, plant and equipment and intangible assets, net	37,704	39,912
Provisions for severance benefits	203,247	180,521
Additional provisions, net	271,501	375,206
Income tax expense	385,003	297,520
Loss from equity method valuation	252,778	229,896
Gain on disposal of investments in associates and joint ventures	(645,355)	-
Impairment loss on investments in associates and joint ventures	6,859	-
Other	79,621	277,573
	2,039,638	2,765,741
Changes in operating assets and liabilities		
Decrease (increase) in trade receivables	581,770	(770,895)
Decrease in other receivables	86,295	62,166
Increase in inventories	(162,245)	(28,797)
Decrease in contract assets	992	32,548
Decrease (increase) in other assets	23,819	(242,390)
Decrease in trade payables	(553,646)	(1,847)

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<i>(in millions of Korean won)</i>	2020	2019
Decrease in other payables	(494,845)	(770,153)
Decrease in provisions	(393,886)	(378,672)
Increase (decrease) in contract liabilities	(40,955)	188,563
Increase (decrease) in other liabilities	(291,550)	152,028
Payment of defined benefit liability	(28,655)	(30,044)
Deposit in plan assets, net	(35,765)	(33,269)
	<u>(1,308,671)</u>	<u>(1,820,762)</u>
Cash generated from operations	1,883,248	1,628,957

(b) Changes in liabilities from financing activities

		2020					
		Non-cash transactions					
<i>(in millions of Korean won)</i>	At January 1	Net cash flows from financing activities	Additions	Exchange differences	Amortization and others	Effects of exchange rate changes	At June 30
Short-term borrowings	271,541	82,490	-	17,835	-	(51,509)	320,357
Long-term borrowings	4,318,854	221,284	-	31,699	36	56,389	4,628,262
Debentures	5,896,943	(241,395)	-	21,501	1,520	-	5,678,569
Lease liabilities	771,424	(146,580)	178,504	883	2,024	1,492	807,747
Total	11,258,762	(84,201)	178,504	71,918	3,580	6,372	11,434,935

		2019					
		Non-cash transactions					
<i>(in millions of Korean won)</i>	At January 1	Net cash flows from financing activities	Additions	Exchange differences	Amortization and others	Effects of exchange rate changes	At June 30
Short-term borrowings	293,221	10,888	-	16,002	-	37,261	357,372
Long-term borrowings	4,370,696	36,418	-	(4,261)	34	38,121	4,441,008
Debentures	6,237,269	(194,985)	-	15,415	1,971	-	6,059,670
Lease liabilities	622,459	(150,906)	226,301	50	167	2,098	700,169
Total	11,523,645	(298,585)	226,301	27,206	2,172	77,480	11,558,219

(c) Significant non-cash transactions

<i>(in millions of Korean won)</i>	2020	2019
Reclassification of construction-in-progress to property, plant and equipment	714,254	401,931
Reclassification of construction-in-progress to intangible assets	170,790	202,482
Reclassification of current portion of borrowings and debentures	895,251	810,400
Other payables to acquire property, plant and equipment	347,050	279,901
Other payables to acquire intangible assets	14,938	13,111
Acquisition of right-of-use assets	202,168	278,399

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(d) Assets and liabilities arising from the transfer of business

- Transfer of water solution business

i) On September 26, 2019, the Parent Company transferred water solution business, consisting of LG Hitachi Water Solution Co., Ltd., Hi Entech Co., Ltd. and HiEntech (Tianjin) Co., LTD., to Techcross Vision Investment Inc.

ii) Total consideration received and the assets and liabilities of the transferred business are as follows:

<i>(in millions of Korean won)</i>	Amount
Total consideration	
Cash and cash equivalents	222,759
Assets of the transferred business:	
Cash and cash equivalents	50,260
Trade receivables	70,517
Other receivables	9,689
Other financial assets	6,594
Inventories	6,554
Property, plant and equipment	2,346
Intangible assets	61,367
Current tax assets	310
Deferred tax assets	4,247
Contract assets	32,924
Other assets	4,138
Liabilities of the transferred business:	
Trade payables	29,643
Borrowings	7,993
Lease liabilities	436
Other payables	21,683
Current tax liabilities	185
Net defined benefit assets	1,880
Provisions	6,858
Contract liabilities	25,460
Other liabilities	31,546
Non-controlling interests	20,346

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29. Contingencies

(a) At the end of the reporting period, borrowings are collateralized by a certain portion of property, plant and equipment (land, buildings) with the pledged amount of ₩ 221,173 million (December 31, 2019: ₩207,854 million) and the book amount of pledged assets is ₩ 225,372 million (December 31, 2019: ₩276,924 million). In addition, the Group provided buildings as collateral to Shinhan Bank and others, the mortgagee, in order to guarantee obligations of landlords, who leased the land to the Group, with the pledged amount of ₩ 14,040 million (December 31, 2019: ₩7,680 million), and the book amount of pledged assets is ₩ 7,102 million (December 31, 2019: ₩1,536 million).

(b) At the end of the reporting period, the Parent Company and domestic subsidiaries are provided with performance guarantees of ₩262,263 million (December 31, 2019: ₩261,921 million) from Seoul Guarantee Insurance and others relating to the performance guarantees. The Parent Company and LG Innotek Co., Ltd. are provided with guarantee of principal amounting to EUR 100 million and USD 50 million (December 31, 2019: EUR 100 million, USD 50 million) and interests from Shinhan Bank for the guaranteed private placement bonds.

(c) At the end of the reporting period, the Parent Company is providing KEB Hana Bank with a subrogation payment obligation for customers up to ₩46,000 million (December 31, 2019: ₩46,000 million). Also, LG Electronics U.S.A., Inc., a subsidiary, provides payment guarantee for Hitachi-LG Data Storage Inc. amounting to USD 5 million (December 31, 2019: USD 6.25 million).

(d) There are a number of legal actions, disputes and investigations arising from the normal course of business that remain pending at the end of the reporting period. The ultimate effect of those lawsuits on the financial position of the Group cannot reflect a reasonable expectation. Management does not expect the outcome of the litigations will have a material effect on the Group's financial position.

At the end of the reporting period, LG Display Co., Ltd., an associate of the Group, has been accused as a defendant in cases related to the infringement of patents. In addition, LG Display Co., Ltd. is currently under the investigation and civil suit for anti-competitive activities. The outcome of the case may affect the gain or loss from the equity method valuation, but the Group is not individually responsible for the above case and the investigation.

30. Commitments

(a) At the end of the reporting period, the Parent Company has overdraft facility agreements with various banks, including Shinhan Bank, with a limit of ₩165,500 million (December 31, 2019: ₩165,500 million).

In addition, LG Innotek Co., Ltd. has overdraft facility agreements with various banks, including Shinhan Bank, with a limit of ₩27,000 million (December 31, 2019: ₩27,000 million). The total limit of overdrafts and comprehensive limits provided by financial institutions to the overseas subsidiaries of LG Innotek Co., Ltd. is ₩437,594 million (December 31, 2019: ₩346,642 million).

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Other subsidiaries have overdraft facility agreements with a limit of ₩1,611,821 million (December 31, 2019: ₩1,509,846 million) with Citibank and others.

(b) At the end of the reporting period, the Parent Company has sales agreements for export trade receivables with KEB Hana Bank and 19 other banks amounting to ₩2,005,633 million (December 31, 2019: ₩1,895,310 million) and has sales agreements for domestic trade receivables with MUFG Bank and one other bank amounting to ₩950,000 million (December 31, 2019: ₩900,000 million).

In addition, LG Innotek Co., Ltd. has trade receivables transfer agreements with various banks, including ING Bank, amounting to ₩1,002,585 million (December 31, 2019: ₩735,203 million) at the end of the reporting period.

In addition, other subsidiaries transfer their trade receivable to Societe Generale Bank on a revolving basis, for up to USD 500 million (December 31, 2019: USD 665 million), and have sales agreements for trade receivables with a limit of USD 500 million (December 31, 2019: USD 500 million) with Credit Agricole. In addition, other subsidiaries have entered into corporate electronic settlement services contracts and discount note agreements with KEB Hana Bank with a limit of ₩1,000 million (December 31, 2019: ₩1,000 million) in connection with the collection of the trade receivables.

(c) At the end of the reporting period, the Parent Company has corporate electronic settlement services contracts and vendor prepayment services contracts with Shinhan Bank and seven other banks for up to ₩1,190,000 million (December 31, 2019: ₩1,210,000 million) in connection with the payment of trade payables.

In addition, LG Innotek Co., Ltd., a subsidiary, has corporate electronic settlement services contracts and vendor prepayment services contracts with Shinhan Bank and others for up to ₩204,000 million (December 31, 2019: ₩204,000 million) in connection with the payment of trade payables, where under the contracts the vendors of LG Innotek Co., Ltd. can transfer their receivables to these banks.

In addition, other subsidiaries have contract arrangements such as corporate electronic settlement services contracts and note discount agreements with Shinhan Bank and other banks for up to ₩38,300 million limit (December 31, 2019: ₩38,900 million) in connection with the payment of trade payables.

(d) At the end of the reporting period, other subsidiaries have commercial paper agreements with Shinhan Bank and others for ₩40,000 million (December 31, 2019: ₩40,000 million).

(e) At the end of the reporting period, the Group has other trade financing agreements and loan commitments with financial institutions, including Shinhan Bank, of up to ₩2,889,022 million (December 31, 2019: ₩3,471,626 million). In addition, the limit of long-term borrowing agreements that LG Innotek Co., Ltd. commits to additionally have after the end of the reporting period is ₩100,000 million (December 31, 2019: ₩100,000 million).

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(f) Contractual commitments for the acquisition of assets

Assets contracted for, but not yet acquired at the end of the reporting period, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2020	December 31, 2019
Property, plant and equipment	240,930	214,719
Intangible assets	118,642	137,951
Investments in associates and joint ventures	86,962	88,968
Total	446,534	441,638

(g) Operating lease commitments – the Group as a lessor

- i) The Group has non-cancellable operating lease agreements regarding healthcare rental business that lends water purifiers and others to customers and real estate rentals business. The future aggregate lease receipts under operating leases at the end of the reporting period, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2020				Total lease payments
	1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	
Healthcare rental	533,200	374,297	170,015	30,555	1,108,067
Real estate rental	114	-	-	-	114
Total	533,314	374,297	170,015	30,555	1,108,181

- ii) The Group recognized ₩271,123 million (June 30, 2019: ₩200,440 million) in lease income for the six-month period ended June 30, 2020.

(h) Trademark license commitments

At the end of the reporting period, the Group has various agreements as follows:

Purpose	Related products	Provided by	Used by
Use of license	Home appliance /Mobile/LED	Qualcomm Incorporated and others	The Group
Provision of license	Home appliance /Mobile/LED	The Group	Panasonic Corporation and others

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31. Related Party

(a) Major transactions for the six-month periods ended June 30, 2020 and 2019, and balances of receivables and payables from transaction with related parties as at June 30, 2020 and December 31, 2019, are as follows:

i) Major income and expense transactions with related parties

(in millions of Korean won)

Classification	Name	2020					
		Income transactions			Expense transactions		
		Sales	Others	Total	Purchases	Others ⁷	Total
Significantly influencing the Group	LG Corp.	161	-	161	-	75,796	75,796
Associates	LG Display Co., Ltd. and its subsidiaries	227,953	47,614	275,567	1,305,655	644	1,306,299
	Hitachi-LG Data Storage Inc. (HLDS) and its subsidiaries	1,013	-	1,013	26,980	79	27,059
	Korea Information Certificate Authority Inc. ²	1	-	1	-	39	39
	Acryl Inc.	-	-	-	-	312	312
	ROBOTIS Co., Ltd.	-	-	-	-	19	19
	Robostar Co., Ltd. and its subsidiaries	7	-	7	28,589	1,225	29,814
	Subtotal	228,974	47,614	276,588	1,361,224	2,318	1,363,542
Joint ventures	Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	30,629	-	30,629	67,014	-	67,014
	LG HOLDINGS (HK) LIMITED and its subsidiaries ³	-	-	-	-	472	472
	EIC PROPERTIES PTE LTD.	-	-	-	-	355	355
	LG-MRI LLC	4,635	-	4,635	21,813	-	21,813
	Subtotal	35,264	-	35,264	88,827	827	89,654
Other related parties	LG CNS Co., Ltd. and its subsidiaries	70,458	28	70,486	71,056	210,905	281,961
	S&I Corp. and its subsidiaries ⁴	13,068	-	13,068	29,464	75,209	104,673
	LG Management Development Institute	5	-	5	21	15,127	15,148
	LG SPORTS Ltd.	7	19	26	-	5,323	5,323
	LG MMA Ltd.	170	-	170	34	208	242
	LG Holdings Japan Co., Ltd.	10	-	10	-	1,889	1,889
	Subtotal	83,718	47	83,765	100,575	308,661	409,236
Others ¹	LG Chem Ltd. and its subsidiaries and joint ventures	613,193	5,015	618,208	474,658	437	475,095
	LG INTERNATIONAL CORP and its subsidiaries	17,595	510	18,105	1,327,083	813,374	2,140,457
	LG Uplus Corp and its subsidiaries	118,935	47	118,982	22,130	2,890	25,020
	LG HAUSYS,LTD. and its subsidiaries and associates	3,487	295	3,782	4,139	45	4,184
	Silicon Works Co., Ltd.	13,095	1,396	14,491	6,129	336	6,465
	LG HOUSEHOLD & HEALTH CARE LTD and its	34,704	1	34,705	190	279	469

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		2020					
Classification	Name	Income transactions			Expense transactions		
		Sales	Others	Total	Purchases	Others ⁷	Total
	subsidiaries						
	G IIR Inc. and its subsidiaries	2,282	-	2,282	121	151,108	151,229
	Subtotal	803,291	7,264	810,555	1,834,450	968,469	2,802,919
	Total	1,151,408	54,925	1,206,333	3,385,076	1,356,071	4,741,147

(in millions of Korean won)

		2019					
Classification	Name	Income transactions			Expense transactions		
		Sales	Others	Total	Purchases	Others	Total
Significantly influencing the Group	LG Corp.	699	-	699	437	79,923	80,360
Associates	LG Display Co., Ltd. and its subsidiaries	713,052	44,687	757,739	1,803,045	3,569	1,806,614
	Ericsson-LG Co., Ltd. and its subsidiaries	106	-	106	-	-	-
	Hitachi-LG Data Storage Inc. (HLDS) and its subsidiaries	1,071	-	1,071	46,095	247	46,342
	LG Fuel Cell Systems Inc. and its subsidiaries	295	510	805	-	69	69
	Korea Information Certificate Authority Inc. ²	-	-	-	-	42	42
	Acryl Inc.	-	-	-	-	374	374
	Kiwigrid GmbH ⁵	-	-	-	-	448	448
	ROBOTIS Co., Ltd.	-	-	-	-	34	34
	Robostar Co., Ltd.	3	-	3	22,972	3,321	26,293
	Subtotal	714,527	45,197	759,724	1,872,112	8,104	1,880,216
Joint ventures	Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	20,660	-	20,660	52,710	-	52,710
	LG HOLDINGS (HK) LIMITED and its subsidiaries ³	-	-	-	-	1,078	1,078
	EIC PROPERTIES PTE LTD.	-	-	-	-	400	400
	LG-MRI LLC	1,164	-	1,164	13,275	-	13,275
	Subtotal	21,824	-	21,824	65,985	1,478	67,463
Other related parties	LG CNS Co., Ltd. and its subsidiaries	82,634	1	82,635	57,820	177,934	235,754
	S&I Corp. and its subsidiaries ⁴	25,175	4,305	29,480	369,411	136,615	506,026
	LG Management Development Institute	1	-	1	5	15,038	15,043
	LG SPORTS Ltd.	8	-	8	-	6,832	6,832
	LG MMA Ltd.	3	-	3	51	-	51
	LG Holdings Japan Co., Ltd.	9	-	9	-	1,720	1,720
	LG Corp. U.S.A. ⁶	721	-	721	-	-	-
	Subtotal	108,551	4,306	112,857	427,287	338,139	765,426
Others ¹	LG Chem Ltd. and its subsidiaries and joint ventures	494,010	11,394	505,404	510,620	8,706	519,326
	LG INTERNATIONAL CORP and its subsidiaries	44,443	2,921	47,364	1,531,290	962,368	2,493,658
	LG Uplus Corp and its subsidiaries	291,431	10	291,441	27,760	2,794	30,554

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Classification	Name	2019					
		Income transactions			Expense transactions		
		Sales	Others	Total	Purchases	Others	Total
	LG HAUSYS,LTD. and its subsidiaries and associates	4,294	90	4,384	721	59	780
	Silicon Works Co., Ltd.	13,013	1,480	14,493	5,447	-	5,447
	LG HOUSEHOLD & HEALTH CARE LTD and its subsidiaries	3,813	1	3,814	149	219	368
	G I I R Inc. and its subsidiaries	1,793	47	1,840	76	194,455	194,531
	SERVEONE Co., Ltd. and its subsidiaries ⁴	4,912	1,914	6,826	151,362	26,378	177,740
	Subtotal	857,709	17,857	875,566	2,227,425	1,194,979	3,422,404
	Total	1,703,310	67,360	1,770,670	4,593,246	1,622,623	6,215,869

¹ Although the entities are not the related parties of the Group in accordance with Korean IFRS 1024, the entities belong to a Large Enterprise Group in accordance with the Monopoly Regulation and Fair Trade Act.

² All shares of Korea Information Certificate Authority Inc. were disposed during the six-month period ended June 30, 2020.

³ All shares of LG HOLDINGS (HK) LIMITED were disposed to RECO CHANGAN PRIVATE LIMITED on March 20, 2020.

⁴ SERVEONE Co., Ltd. was spun off into S&I Corp. and SERVEONE Co., Ltd. on December 1, 2018. On May 15, 2019, S&I Corp., the existing entity, disposed 60.1% shares of SERVEONE Co., Ltd., a newly established entity. On July 24, 2019, SERVEONE Co., Ltd., a newly established entity, was excluded from the Large Enterprise Group in accordance with the Monopoly Regulation and Fair Trade Act.

⁵ Kiwigrid GmbH was excluded from associates due to the loss of right to appoint a member of the board of directors during the six-month period ended June 30, 2020.

⁶ LG Electronics U.S.A., Inc., a subsidiary, acquired all shares of LG CORP. U.S.A. from LG Corp. on October 30, 2019.

⁷ Others include interest expense of lease liabilities.

ii) The balances of receivables from and payables to related parties

(in millions of Korean won)

Classification	Name	June 30, 2020							
		Receivables				Payables			
		Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables ⁵	Total
Significantly influencing the Group	LG Corp.	2,657	-	26,936	29,593	-	-	13,965	13,965
Associates	LG Display Co., Ltd. and its subsidiaries	120,869	-	58,218	179,087	371,961	-	75,724	447,685
	Hitachi-LG Data Storage Inc. (HLDS) and its subsidiaries	788	-	-	788	17,913	-	349	18,262
	Acryl Inc.	-	-	-	-	-	-	229	229
	ROBOTIS Co., Ltd.	-	-	-	-	-	-	17	17
	Robostar Co., Ltd. and its subsidiaries	1	-	-	1	403	-	25,147	25,550
	Subtotal	121,658	-	58,218	179,876	390,277	-	101,466	491,743

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		June 30, 2020							
Classification	Name	Receivables				Payables			
		Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables ⁵	Total
Joint ventures	Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	7,733	-	-	7,733	20,977	-	-	20,977
	EIC PROPERTIES PTE LTD.	-	-	-	-	-	-	34	34
	LG-MRI LLC	485	-	404	889	3,688	-	38	3,726
	Subtotal	8,218	-	404	8,622	24,665	-	72	24,737
Other related parties	LG CNS Co., Ltd. and its subsidiaries	35,213	-	1,375	36,588	13,658	-	117,314	130,972
	S&I Corp. and its subsidiaries ²	9,483	-	55,168	64,651	434	-	62,795	63,229
	LG Management Development Institute	-	-	17,865	17,865	-	-	1,895	1,895
	LG SPORTS Ltd.	1	-	-	1	-	-	774	774
	LG MMA Ltd.	186	-	-	186	97	-	-	97
	LG Holdings Japan Co., Ltd.	-	-	4,097	4,097	-	-	-	-
	Subtotal	44,883	-	78,505	123,388	14,189	-	182,778	196,967
Others ¹	LG Chem Ltd. and its subsidiaries and joint ventures	377,003	-	205,388	582,391	255,265	-	25,929	281,194
	LG INTERNATIONAL CORP and its subsidiaries	22,884	-	1,225	24,109	268,904	-	271,058	539,962
	LG Uplus Corp and its subsidiaries	27,201	-	119	27,320	1,243	-	360	1,603
	LG HAUSYS,LTD. and its subsidiaries and associates	1,579	-	440	2,019	1,202	-	492	1,694
	Silicon Works Co., Ltd.	4,750	-	279	5,029	1,600	-	1,771	3,371
	LG HOUSEHOLD & HEALTH CARE LTD and its subsidiaries	19,312	-	18,275	37,587	31	-	819	850
	G II R Inc. and its subsidiaries	29	-	192	221	424	-	142,861	143,285
Subtotal	452,758	-	225,918	678,676	528,669	-	443,290	971,959	
Total	630,174	-	389,981	1,020,155	957,800	-	741,571	1,699,371	

(in millions of Korean won)

		December 31, 2019							
Classification	Name	Receivables				Payables			
		Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables ⁵	Total
Significantly influencing the Group	LG Corp.	38	-	29,207	29,245	-	-	55,798	55,798
Associates	LG Display Co., Ltd. and its subsidiaries	182,862	-	86,133	268,995	575,758	-	76,851	652,609
	Hitachi-LG Data Storage Inc. (HLDS) and its subsidiaries	714	-	-	714	19,421	-	410	19,831
	Korea Information Certificate Authority	-	-	-	-	-	-	18	18

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(in millions of Korean won)

		December 31, 2019							
Classification	Name	Receivables				Payables			
		Trade receivables	Loans	Other receivables	Total	Trade payables	Borrowings	Other payables ⁵	Total
	Inc. ³								
	Acryl Inc.	-	-	-	-	-	-	229	229
	ROBOTIS Co., Ltd.	-	-	-	-	-	-	145	145
	Robostar Co., Ltd	-	-	-	-	-	-	27,480	27,480
	Subtotal	183,576	-	86,133	269,709	595,179	-	105,133	700,312
Joint ventures	Arcelik-LG Klima Sanayi ve Ticaret A.S.(LGEAT)	5,827	-	-	5,827	7,685	-	-	7,685
	LG HOLDINGS (HK) LIMITED and its subsidiaries ⁴	-	-	-	-	-	-	807	807
	EIC PROPERTIES PTE LTD.	-	-	-	-	-	-	68	68
	LG-MRI LLC	2,311	-	384	2,695	1,645	-	2	1,647
	Subtotal	8,138	-	384	8,522	9,330	-	877	10,207
Other related parties	LG CNS Co., Ltd. and its subsidiaries	21,711	-	1,118	22,829	31,425	-	166,750	198,175
	S&I Corp. and its subsidiaries ²	18,296	-	55,086	73,382	5,985	-	52,949	58,934
	LG Management Development Institute	-	-	17,864	17,864	-	-	968	968
	LG SPORTS Ltd.	1	-	-	1	-	-	2,311	2,311
	LG MMA Ltd.	372	-	-	372	42	-	-	42
	LG Holdings Japan Co., Ltd.	-	-	3,940	3,940	-	-	-	-
	Subtotal	40,380	-	78,008	118,388	37,452	-	222,978	260,430
Others ¹	LG Chem Ltd. and its subsidiaries and joint ventures	546,852	-	228,217	775,069	240,870	-	60,068	300,938
	LG INTERNATIONAL CORP and its subsidiaries	25,803	-	1,438	27,241	192,466	-	228,945	421,411
	LG Uplus Corp and its subsidiaries	10,695	-	98	10,793	180	-	554	734
	LG HAUSYS,LTD. and its subsidiaries and associates	2,550	-	133	2,683	469	-	1,496	1,965
	Silicon Works Co., Ltd.	3,792	-	279	4,071	3,022	-	485	3,507
	LG HOUSEHOLD & HEALTH CARE LTD and its subsidiaries	20,067	-	8,709	28,776	32	-	3,409	3,441
	G II R Inc. and its subsidiaries	41	-	210	251	710	-	182,130	182,840
	Subtotal	609,800	-	239,084	848,884	437,749	-	477,087	914,836
	Total	841,932	-	432,816	1,274,748	1,079,710	-	861,873	1,941,583

¹ Although the entities are not the related parties of the Group in accordance with Korean IFRS 1024, the entities belong to a Large Enterprise Group in accordance with the Monopoly Regulation and Fair Trade Act.

² SERVEONE Co., Ltd. was spun off into S&I Corp. and SERVEONE Co., Ltd. on December 1, 2018. On May 15, 2019, S&I Corp., the existing entity, disposed 60.1% shares of SERVEONE Co., Ltd., a newly established entity.

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On July 24, 2019, SERVEONE Co., Ltd., a newly established entity, was excluded from the Large Enterprise Group in accordance with the Monopoly Regulation and Fair Trade Act.

³ All shares of Korea Information Certificate Authority Inc. were disposed during the six-month period ended June 30, 2020.

⁴ All shares of LG HOLDINGS (HK) LIMITED were disposed to RECO CHANGAN PRIVATE LIMITED on March 20, 2020.

⁵ Other payables include lease liabilities.

iii) Significant capital transactions with related parties and others for the six-month periods ended June 30, 2020 and 2019, are as follows:

(in millions of Korean won)

		2020						
		Dividend income	Dividend paid	Cash distribution (reduction)	Financing loan transactions		Financing borrowing transactions	
					Loans	Collections	Borrowings	Repayments ²
Significantly influencing the Group	LG Corp.	-	41,321	-	-	-	-	13,751
Associates	Ericsson-LG Co., Ltd.	8,250	-	-	-	-	-	-
	Korea Information Certificate Authority Inc. ¹	201	-	-	-	-	-	-
	LG-MRI LLC	349	-	-	-	-	-	-
	LG-LHT Aircraft Solutions GmbH	-	-	3,177	-	-	-	-
	LG-LHT Passenger Solutions GmbH	-	-	2,307	-	-	-	-
	GUANGDONG SMART LIFE TECHNOLOGY CO., LTD	-	-	300	-	-	-	-
	Subtotal	8,800	-	5,784	-	-	-	-
	Total	8,800	41,321	5,784	-	-	-	13,751

(in millions of Korean won)

Classification Name		2019						
		Dividend income	Dividend paid	Cash distribution (reduction)	Financing loan transactions		Financing borrowing transactions	
					Loans	Collections	Borrowings	Repayments
Significantly influencing the Group	LG Corp.	-	41,321	-	-	-	-	-
Associates	Korea Information Certificate Authority Inc. ¹	161	-	-	-	-	-	-
	LG-MRI LLC	337	-	-	-	-	-	-
	Robostar Co.,Ltd	146	-	-	-	-	-	-
	Acryl Inc.	-	-	1,000	-	-	-	-
	Subtotal	644	-	1,000	-	-	-	-
	Total	644	41,321	1,000	-	-	-	-

¹ All shares of Korea Information Certificate Authority Inc. were disposed during the six-month period ended June 30, 2020.

² Repayments of financing borrowing transactions include repayment of principal elements of lease liabilities.

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- (b) The compensation paid or payable to key management personnel for the six-month periods ended June 30, 2020 and 2019, consists of:

<i>(in millions of Korean won)</i>	2020	2019
Salaries and other short-term benefits	7,605	13,052
Post-employment benefits	1,227	1,740
Other long-term benefits	51	53
Total	8,883	14,845

Key management refers to the directors who have significant control and responsibilities on the Group's business plans, operations and control.

- (c) LG Electronics U.S.A., Inc., a subsidiary, provides payment guarantee for Hitachi-LG Data Storage Inc. amounting to USD 5 million at the end of the reporting period (December 31, 2019: USD 6.25 million).
- (d) There is no collateral provided by the Group for the financial support of related parties at the end of the reporting period.
- (e) The Group has not recognized any bad debt expense or allowance for trade receivables from related parties at the end of the reporting period.

32. Risk Management

Financial Risk Management

The Group's financial risk management ("FRM") policy supports each business division to achieve excellent performance solidly and continuously against market risk, credit risk and liquidity risk. In addition, FRM helps the Group to enhance cost competitiveness through cost-efficient financing cost by improving financial structure and effective cash management.

While cooperating with other divisions, Finance Division in the Parent Company mainly implements FRM. This involves setting-up risk management policies and recognizing, evaluating and hedging risks from a global point of view.

The Group anticipatively and systematically manages the financial risks over global business activities through its four overseas treasury centers in New Jersey (United States), Amsterdam (Netherlands), Beijing (China), and Singapore in coordination with Finance Division in the Parent Company. And it also helps to improve overseas subsidiaries' business competitiveness by performing integration of their finance functions.

The Group mitigates the adverse effects from financial risk by monitoring the risk periodically and updating FRM policy each year.

The carrying amount and profit or loss of each category of financial instruments, and the details of borrowings related to the financial risk management are presented in Note 5 and Note 12, respectively.

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(a) Market risk

i) Foreign exchange risk

Due to its multinational business operations, the Group is mainly exposed to foreign exchange risk on the US Dollar and Euro.

The purpose of foreign exchange risk management is to provide the foundation of a stable business operation by minimizing the uncertainty and volatility of foreign exchange gains and losses from foreign exchange rate fluctuations.

The Group's foreign exchange risk management is implemented under its own foreign exchange policy through which the Group can minimize the exposure to foreign exchange risk by preferentially making equal amount of foreign exchange assets and liabilities from general operating activities. And the Group continuously considers efficient foreign exchange risk hedges against its remaining exposure with derivative financial instruments and scrutinizes changes in foreign exchange exposure and the results of hedging activities on a monthly basis. Speculative foreign exchange trading is prohibited in principle.

As at June 30, 2020 and December 31, 2019, if the foreign exchange rate of the Korean won fluctuated for monetary assets and liabilities denominated in major foreign currency other than functional currency by 10% while other variables were fixed, the effects on income (loss) before tax would be as follows:

<i>(in millions of Korean won)</i>	June 30, 2020		December 31, 2019	
	10% increase	10% decrease	10% increase	10% decrease
USD/KRW	33,876	(33,876)	(89,461)	89,461
EUR/KRW	(2,356)	2,356	2,049	(2,049)

ii) Interest rate risk

The Group is exposed to interest rate risk through changes in interest-bearing liabilities or assets. The risk mainly arises from borrowings and deposits held by financial institutions with variable interest rates linked to market interest rate changes in the future. The objective of interest rate risk management lies in improving corporate value by minimizing uncertainty caused by fluctuations in interest rates and minimizing net interest expense.

The Group minimizes its borrowings from others and optimizes its deposits by expanding internal finance sharing. The Group periodically monitors both domestic and foreign interest rate trends to establish countermeasures against changes in interest rates.

If interest rates fluctuate by 1%p with all other variables held constant, the effects on income and expenses related to borrowings and deposits held by financial institutions with variable interest rates for the six-month periods ended June 30, 2020 and 2019, are as follows:

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<i>(in millions of Korean won)</i>	2020		2019	
	1%p increase	1%p decrease	1%p increase	1%p decrease
Interest income	27,589	(27,589)	18,249	(18,249)
Interest expenses	4,371	(4,371)	4,145	(4,145)

iii) Details of derivative contracts are as follows:

The Group entered into the cross-currency swap contracts and interest rate swap contracts to hedge cash flow risks related to the floating interest rates and foreign exchange rates of debentures.

Details of hedging instruments are as follows:

	Contractor	Contracted amount <i>(in millions)</i>	Contracted currency rate	Interest rate (paid) (%)	Starting date	Expiration date	Book amount <i>(in millions of Korean won)</i>	
							Assets	Liabilities
Cross-currency swap	MUFG Bank and others	USD 650 (USD/KRW)	1,067.9 ~ 1,233.7	2.00 ~ 3.64	2017. 2. 2 ~ 2020. 5. 28	2020.11.23 ~ 2028. 6. 8	9,628	14,770
	Commerzbank and others	CZK 520 (EUR/CZK)	25.5 ~ 26.1	-	2020. 2.26 ~ 2020. 3. 2	2020. 7. 2 ~ 2021. 6. 2	-	971
Interest rate swap	Woori Bank and others	KRW 1,214,714 / EUR 100 / USD 235	-	1.00 ~ 4.53	2014. 1. 3 ~ 2018. 5. 24	2023. 2.24 ~ 2030. 7. 7	-	134,451

Interest rates received for the above swap contracts are equal to annual interest rates of borrowings (Note 12).

Details of hedged items are as follows:

<i>(in millions of Korean won)</i>	Hedged items	Book amount	Changes in fair value (net of tax)
Cross-currency swap	Borrowings	804,453	1,520
Interest rate swap	Borrowings	1,631,119	37,539

The results of hedge accounting are as follows:

<i>(in millions of Korean won)</i>	Changes in fair value of derivatives (net of tax)	Line items in profit or loss	Reclassified to profit or loss (net of tax)	Other comprehensive loss (net of tax)	Accumulated other comprehensive loss
Cross-currency swap	(1,520)	Interest expense and exchange differences	(16,025)	(17,545)	(40,190)
Interest rate swap	(37,539)	Interest expense	7,499	(30,040)	(95,524)

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Non-derivative for hedging purposes

LG Innotek Co., Ltd., a subsidiary, applied cash flow hedging accounting by designating the amount of contract liabilities from customers as hedging instrument to hedge foreign exchange risk of the future expected sales.

Details of hedging instruments are as follows:

<i>(in millions of Korean won)</i>	Contracted amount (in millions)	Starting date	Expiration date	Book amount	<u>Expected time to be realized</u>	
					Within 1 year	1 to 2 years
Contract liabilities	USD 129	2019.12	2021.12	154,890	103,260	51,630

The highly probable forecast transactions in relation to cash flow hedges are expected to happen on various dates until the expiration date for the hedging, and they are expected to affect future cash flows. At the end of the reporting period, the book amount of contract liabilities is a reasonable approximation of its fair value.

There is no forecasted transaction that needs to be changed for which hedges had previously been used, but which is no longer expected to occur.

The results of hedge accounting are as follows:

<i>(in millions of Korean won)</i>	Line items in profit or loss	Reclassified to profit or loss (net of tax)	Other comprehensive loss (net of tax)	Accumulated other comprehensive loss
Foreign exchange risk hedge for sales	Sales	4,748	(858)	(8,106)

Trading purposes

The Group entered into the currency forward contracts, the cross-currency swap contracts and the interest rate swap contracts to manage the risk against possible future changes in foreign exchange rates and interest rates. The subsidiaries' currency forward contracts, the cross-currency swap contracts and the interest rate swap contracts as at June 30, 2020, and related profit or loss for the six-month period ended June 30, 2020, are as follows:

<i>(in millions of Korean won)</i>	Purchase	Sale	Gain (loss) on valuation	Gain (loss) on transaction
Currency forward	477,990	474,836	10,770	26,742
Cross-currency swap	-	-	3,791	-
Interest rate swap	-	-	(57)	(55)

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iv) Price risk

The Group is exposed to price risk through equity securities owned by the Group classified as financial assets at fair value through other comprehensive income.

The listed securities owned by the Group are traded in the open market, and related to KOSDAQ Index and Austrian Traded Index.

The effect of price index's fluctuation related to the listed securities on the equity (before applying the tax effect) is set out in the below table. The analysis is performed in respect of 30% increase/decrease in the price index under the assumption that other variations are consistent and the listed securities owned by the Group have correlation with the relevant past index.

<i>(in millions of Korean won)</i>	June 30, 2020		December 31, 2019	
	30% increase	30% decrease	30% increase	30% decrease
KOSDAQ	5,175	(5,175)	2,654	(2,654)
Austrian Traded Index	2,575	(2,575)	2,867	(2,867)

The valuation and changes in book amounts of the financial assets at fair value through other comprehensive income related to the market risk above are presented in Note 7.

(b) Credit risk

The Group operates a consistent Global Credit / TR (trade receivables) policy to manage credit risk exposures.

In regard to receivables, the Group operates an integrated receivable insurance program with the world top three receivable insurers (Euler Hermes, Atradius and Coface) and Korea Trade Insurance Corporation (K-SURE). In an effort to minimize receivable credit risk, the Group applies the credit rating of the counterparty rated by insurers, when determining the insurance coverage. In addition, the Group performs stringent credit risk management based on credit valuation criteria for receivables without insurance coverage or collateral.

At the end of reporting period, trade receivable balance of the Group is ₩ 5,783,508 million (December 31, 2019: ₩6,471,588 million) and its risk is managed appropriately within insurer's credit limit of ₩22,766,773 million (December 31, 2019: ₩24,680,001 million). Therefore, the Group determined that credit risk exposed to the Group is limited.

At the end of reporting period, the carrying amount of financial assets represents net of impairment loss to reflect Group's maximum exposure to the credit risk.

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(c) Liquidity risk

The Group forecasts its cash flow and liquidity status and sets action plans on a regular basis to manage liquidity risk proactively. The Group systematically works with experts in four regional treasury centers to carry out fund and liquidity management that can react proactively to the changing global financial environment.

The Group maintains adequate amount of cash and committed credit facilities in Kookmin Bank and Shinhan Bank to cope with potential liquidity risk arising from financial distress.

In addition, the Group is able to source funds any time in the domestic and international financial markets because it has good investment credit grades of AA Stable from Korea Investors Service, Korea Ratings and NICE Information Service, BBB from Standard & Poors, and Baa3 from Moody's at the end of the reporting period.

i) Cash flow information on maturity of financial liabilities as at June 30, 2020, is as follows:

<i>(in millions of Korean won)</i>	Total	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years
Trade payables	6,250,794	6,250,794	-	-	-
Borrowings	12,033,428	1,922,212	1,940,693	3,603,207	4,567,316
Lease liabilities	877,877	291,375	206,500	266,388	113,614
Other payables	2,762,020	2,760,697	723	600	-
Other financial liabilities	11,280	5,346	1,979	3,955	-
Total	21,935,399	11,230,424	2,149,895	3,874,150	4,680,930

The above cash flows are calculated at nominal value based on the earliest maturity dates and include cash flows of principal and interests. The Group's trading portfolio derivative within other financial liabilities that are not qualified for hedge accounting have been included at their fair value of ₩2,869 million within the less than 1-year time bucket. This is because the contractual maturities are not essential for an understanding of the timing of the cash flows. These contracts are managed on a net-fair value basis rather than by maturity date. Derivatives for cash flow hedges from changes in interest rate and exchange rate are reflected in the cash flows of related borrowings.

ii) At the end of the reporting period, the maturity analysis of financial guarantee contracts provided by the Group to third party companies is as follows:

<i>(in millions of Korean won)</i>	Total	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years
Financial guarantee contracts	52,004	52,004	-	-	-

The above cash flow is the maximum amount of guarantees allocated to earliest period in which the Group can be required to make payments.

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Capital Risk Management

The Group's capital risk management purpose is to maximize shareholders' value through maintaining a sound capital structure. The Group monitors financial ratios, such as liability to equity ratio and net borrowing ratio each month and implements required action plan to improve the capital structure.

Debt-to-equity ratio and net borrowing ratio as at June 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won, except for ratios)</i>	June 30, 2020	December 31, 2019
Liability (A)	27,411,364	28,434,737
Equity (B)	17,358,791	16,425,138
Cash and cash equivalents (C)	5,464,763	4,777,368
Borrowings and lease liabilities (D)	11,434,935	11,258,762
Debt-to-equity ratio (A/B)	157.9%	173.1%
Net borrowings ratio ((D-C)/B)	34.4%	39.5%

Fair Value Estimation

(a) The book amount and fair value of the Group's financial assets and liabilities as at June 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2020			
	Current		Non-current	
	Book amount	Fair value	Book amount	Fair value
Assets at fair value				
Financial assets at fair value through profit or loss				
Other financial assets	11,463	11,463	22,883	1
Financial assets at fair value through other comprehensive income				
Trade receivables	396,556	1	-	-
Other financial assets				
Listed equity securities	-	-	19,804	19,804
Unlisted equity securities	-	-	67,822	1
Derivatives for hedging purposes				
Other financial assets	4,283	4,283	5,345	5,345
Assets at amortized cost				
Financial assets at amortized cost				
Cash and cash equivalents	5,464,763	1	-	-
Deposits held by financial institutions	146,597	1	38,885	38,885
Trade receivables	5,271,541	1	-	-
Other receivables	557,519	1	441,037	419,951
Other financial assets	-	1	1,612	1
Total	11,852,722		597,388	

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<i>(in millions of Korean won)</i>	June 30, 2020			
	Current		Non-current	
	Book amount	Fair value	Book amount	Fair value
Liabilities at fair value				
Financial liabilities at fair value through profit or loss				
Other financial liabilities	2,689	2,689	7,680	7,680
Derivatives for hedging purposes				
Other financial liabilities	971	971	149,221	149,221
Liabilities at amortized cost				
Financial liabilities at amortized cost				
Trade payables	6,250,794	1	-	-
Borrowings	1,777,819	1	8,849,369	8,985,548
Other payables	2,760,665	1	1,294	1,293
Other liabilities				
Lease liabilities	274,718	2	533,029	2
Other financial liabilities	46	3	6	3
Total	11,067,702		9,540,599	

<i>(in millions of Korean won)</i>	December 31, 2019			
	Current		Non-current	
	Book amount	Fair value	Book amount	Fair value
Assets at fair value				
Financial assets at fair value through profit or loss				
Other financial assets	2,543	2,543	23,324	1
Financial assets at fair value through other comprehensive income				
Trade receivables	612,320	1	-	-
Other financial assets				
Listed equity securities	-	-	18,638	18,638
Unlisted equity securities	-	-	51,124	1
Derivatives for hedging purposes				
Other financial assets	2,595	2,595	1,805	1,805
Assets at amortized cost				
Financial assets at amortized cost				
Cash and cash equivalents	4,777,368	1	-	-
Deposits held by financial institutions	65,971	1	39,368	39,368
Trade receivables	5,747,968	1	-	-
Other receivables	639,150	1	437,957	422,927
Other financial assets	-	-	1,612	1
Total	11,847,915		573,828	

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<i>(in millions of Korean won)</i>	December 31, 2019			
	Current		Non-current	
	Book amount	Fair value	Book amount	Fair value
Liabilities at fair value				
Financial liabilities at fair value through profit or loss				
Other financial liabilities	7,060	7,060	7,285	7,285
Derivatives for hedging purposes				
Other financial liabilities	-	-	100,668	100,668
Liabilities at amortized cost				
Financial liabilities at amortized cost				
Trade payables	6,820,644	¹	-	-
Borrowings	1,643,656	¹	8,843,682	9,174,232
Other payables	3,318,784	¹	1,202	1,192
Other liabilities				
Lease liabilities	274,245	²	497,179	²
Other financial liabilities	115	³	20	³
Total	12,064,504		9,450,036	

¹ Excluded from disclosure such as fair value hierarchy and measurement method as the book amount is the reasonable approximate of fair value.

² Lease liabilities were excluded from the fair value disclosures in accordance with Korean IFRS 1107 *Financial Instruments: Disclosures*.

³ Measured at the higher of the amount of the loss allowance determined in accordance with Korean IFRS 1109 *Financial Instruments*, and the amount initially recognized less cumulative amount of income recognized in accordance with Korean IFRS 1115 *Revenue from Contracts with Customers*, and excluded from disclosure as there is no significant difference between the book amount and its fair value.

(b) Fair value measurements of assets and liabilities

i) Fair value hierarchy and measurement method

The fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The fair value measurement is to estimate the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. When measuring fair value using valuation techniques, the Group maximizes the use of market information and minimizes the use of unobservable inputs.

Financial instruments measured at fair value are categorized within the fair value hierarchy, and the defined levels are as follows:

- Level 1: Financial instruments measured at the quoted prices in an active market for identical assets or liabilities are included in 'level 1'. Assets or liabilities categorized within 'level 1' are financial instruments such as marketable equity securities traded.

- Level 2: When financial instruments are measured by using a discounted cash flow, if all

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significant inputs required to measure the fair value of an instrument are observable, the instrument is included in 'level 2'. Assets or liabilities categorized within 'level 2' are financial instruments such as derivative financial instruments.

- Level 3: When financial instruments are measured by using a discounted cash flow, if one or more of the significant inputs are unobservable market data, the instrument is included in 'level 3'. There are no assets or liabilities categorized within 'level 3'.

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, an entity within the same industry, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price for financial assets held by the Group is the closing price at the end of the reporting period. These instruments are included in 'level 1'. Instruments included in 'level 1' comprise primarily listed equity securities classified as financial assets at fair value through other comprehensive income.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses various valuation techniques that the Group develops or figures that external valuation agencies provide, and makes judgements based on current market conditions. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to measure the fair value of an instrument are observable, the instrument is included in 'level 2'.

If one or more of the significant inputs are not based on observable market data, the instrument is included in 'level 3'. Financial instrument included 'level 3' uses other method including discounting cash flow method.

ii) Financial instruments measured at fair value

Fair value hierarchy classifications of the financial assets and financial liabilities that are measured at fair value as at June 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2020			Total
	Level 1	Level 2	Level 3	
Assets				
Other financial assets				
Financial assets at fair value through other comprehensive income				
- Listed equity securities	19,804	-	-	19,804
Financial assets at fair value through profit or loss	-	11,463	-	11,463
Derivatives for hedging purposes	-	9,628	-	9,628

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June 30, 2020				
<i>(in millions of Korean won)</i>	Level 1	Level 2	Level 3	Total
Liabilities				
Other financial liabilities				
Financial liabilities at fair value through profit or loss	-	10,369	-	10,369
Derivatives for hedging purposes	-	150,192	-	150,192
December 31, 2019				
<i>(in millions of Korean won)</i>	Level 1	Level 2	Level 3	Total
Assets				
Other financial assets				
Financial assets at fair value through other comprehensive income				
- Listed equity securities	18,638	-	-	18,638
Financial assets at fair value through profit or loss	-	2,543	-	2,543
Derivatives for hedging purposes	-	4,400	-	4,400
Liabilities				
Other financial liabilities				
Financial liabilities at fair value through profit or loss	-	14,345	-	14,345
Derivatives for hedging purposes	-	100,668	-	100,668

The above fair value amounts are recurring fair value measurements.

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- Valuation technique and inputs for fair value measurements categorized within 'level 2'

Valuation technique and inputs for fair value measurements categorized within 'level 2' as at June 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	Fair value		Valuation techniques	Inputs
	June 30, 2020	December 31, 2019		
Assets				
Other financial assets				
Financial assets at fair value through profit or loss	11,463	2,543	Discounted cash flow	Discount rate and exchange rate
Derivatives for hedging purposes	9,628	4,400	Discounted cash flow	Discount rate and exchange rate
Liabilities				
Other financial liabilities				
Financial liabilities at fair value through profit or loss	10,369	14,345	Discounted cash flow	Discount rate and exchange rate
Derivatives for hedging purposes	150,192	100,668	Discounted cash flow	Discount rate and exchange rate

- Fair value measurements categorized within 'level 3'

At the end of the reporting period, no financial instruments measured at fair value are categorized within 'level 3'.

iii) Financial instruments not measured at fair value but for which the fair value is disclosed

Financial instruments not measured at fair value but for which the fair value is disclosed as at June 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2020			
	Level 1	Level 2	Level 3	Total
Assets				
Non-current deposits held by financial institutions	-	-	38,885	38,885
Non-current other receivables	-	-	419,951	419,951
Liabilities				
Non-current borrowings	-	-	8,985,548	8,985,548
Non-current other payables	-	-	1,293	1,293

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<i>(in millions of Korean won)</i>	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Assets				
Non-current deposits held by financial institutions	-	-	39,368	39,368
Non-current other receivables	-	-	422,927	422,927
Liabilities				
Non-current borrowings	-	-	9,174,232	9,174,232
Non-current other payables	-	-	1,192	1,192

- Valuation technique and inputs for fair value measurements categorized within 'level 2'

At the end of the reporting period, there are no financial instruments that are not measured at fair value but for which the fair value is disclosed and categorized within 'level 2'.

- Disclosure in relation to fair value measurements categorized within 'level 3'

Valuation technique, inputs and unobservable inputs of financial instruments that are not measured at fair value but for which the fair value is disclosed and categorized within 'level 3' as at June 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2020		December 31, 2019		Valuation techniques	Inputs	Significant but unobservable inputs	Range of significant but unobservable inputs
	Carrying amount	Fair value	Carrying amount	Fair value				
Assets								
Non-current deposits held by financial institutions	38,885	38,885	39,368	39,368	Discounted cash flow	Discount rate and exchange rate	Discount rate	0.1% ~ 1.6%
Non-current other receivables	441,037	419,951	437,957	422,927	Discounted cash flow	Discount rate and exchange rate	Discount rate	2.6% ~ 3.2%
Liabilities								
Non-current borrowings	8,849,369	8,985,548	8,843,682	9,174,232	Discounted cash flow	Discount rate and exchange rate	Discount rate	1.2% ~ 3.1%
Non-current other payables	1,294	1,293	1,202	1,192	Discounted cash flow	Discount rate and exchange rate	Discount rate	1.3% ~ 1.5%

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33. Business Combinations

- (a) On October 30, 2019, LG Electronics U.S.A., Inc., a subsidiary, acquired 100% shares of LG CORP. U.S.A. from LG Corp., which holds a building to be used for future office building.

The following table summarizes the consideration paid and the fair value of assets acquired and liabilities assumed:

<i>(in millions of Korean won)</i>	Amount
Consideration	
Cash and cash equivalents	192,786
Recognized amounts of identifiable assets acquired and liabilities assumed	
Current assets	
Cash and cash equivalents	2,739
Other assets	3
Non-current assets	
Property, plant and equipment	329,695
Other assets	474
Current liabilities	
Short-term borrowings	116,840
Other liabilities	23,285
Current liabilities	
Deferred tax liabilities	1,853
Fair value of total identifiable net assets	190,933
Goodwill	1,853

The acquisition-related direct costs incurred in relation to business combination amounting to ₩36 million was recognized as expenses as incurred.

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- (b) On March 5, 2019, LG Electronics (Tianjin) Appliances Co., Ltd., a subsidiary, acquired 100% shares of QINGGONGLIAN ELECTRICAL INSTALLATION ENGINEERING CO., LTD. in order to secure competitiveness of sales and installation of air conditioners in China.

The following table summarizes the consideration paid and the fair value of assets acquired and liabilities assumed:

<i>(in millions of Korean won)</i>	Amount
Consideration	
Cash and cash equivalents	3,623
Recognized amounts of identifiable assets acquired and liabilities assumed	
Current assets	
Cash and cash equivalents	1,029
Trade receivables ¹	1,080
Other assets	5,165
Non-current assets	
Property, plant and equipment	222
Intangible assets	77
Current liabilities	
Trade and other payables	360
Other liabilities	3,590
Fair value of total identifiable net assets	3,623
Goodwill	-

¹ The fair value of above trade receivables is the same as the contractual amount in gross.

The acquisition-related direct costs incurred in relation to business combination amounting to ₩29 million was recognized as expenses as incurred.

34. Assets Classified as Held for Sale

- (a) Details of assets classified as held for sale as at June 30, 2020 and December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	June 30, 2020¹	December 31, 2019¹
Assets held for sale		
Building	8,391	8,673
Land	6,298	6,073
Total	14,689	14,746

¹ At the end of the reporting period, sales procedure of the above assets is in progress and the sale is expected to be completed by 2020.

- (b) Assets held for sale are measured at fair value less costs to sell before the reclassification, and there is no impairment loss recognized.